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# Royal Commission on Banking and Finance

Credit Union National Association  
National Association of Canadian  
Credit Unions  
Canadian Co-Operative Credit Society  
Limited.

Hearings  
held at

OTTAWA

Vol.

28

Date.

July 13, 1962



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Ottawa, Ontario,  
Friday, July 13, 1962.

ROYAL COMMISSION ON BANKING  
AND FINANCE

CREDIT UNION NATIONAL ASSOCIATION

NATIONAL ASSOCIATION OF CANADIAN  
CREDIT UNIONS

Hearings held at Ottawa,  
Ontario, on Friday,  
July 13th, 1962.

THE COMMISSION

The Honourable Dana Harris Porter  
Chief Justice of Ontario  
Toronto, Ontario - Chariman

Mr. W. Thomas Brown, M.B.E.  
Investment Dealer  
Vancouver, British Columbia

Mr. James Douglas Gibson, O.B.E.  
Banker  
Toronto, Ontario

Mr. Gordon L. Harrold  
Agriculturalist  
Calgary, Alberta

Mr. Paul H. Leman  
Corporation Executive  
Montreal, Quebec

Mr. John C. MacKeen  
Corporation Executive  
Halifax, Nova Scotia

Dr. W. A. Mackintosh  
Vice-Chancellor  
Queen's University  
Kingston, Ontario

Mr. H. A. Hampson - Secretary

Mr. Gilles Mercure - Joint Secretary



Ottawa, Ontario,  
Friday, July 13, 1962.

SUBMISSION OF  
CREDIT UNION NATIONAL ASSOCIATION  
NATIONAL ASSOCIATION OF CANADIAN  
CREDIT UNIONS  
CANADIAN CO-OPERATIVE CREDIT SOCIETY  
LIMITED

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APPEARANCES

Mr. J. O'Connell	- President, National Association of Canadian Credit Unions
Mr. R. Ingram	- Canadian Manager, Credit Union National Association
Mr. R. Glen	- Vice-President, Credit Union National Association
Mr. B. Johnson	- President, Canadian Co- operative Credit Society Limited
Mr. R. J. McMaster	- Solicitor
Mr. G. Goundrey	- Economist
Mr. D. Weinberg,	- Representative of Madison, Wisconsin office of Credit Union National Association
Mr. W. J. Wright	
Mr. J. R. Robinson	
Mr. T. Gauley	
Mr. J. Best	

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1 THE CHAIRMAN: Call the meeting to order.

2  
3 This morning we are to have submissions from  
4 the Credit Union National Association, National Association  
5 of Canadian Credit Unions and the Canadian Co-operative  
6 Credit Society Limited. I understand that these three  
7 organizations are making one submission on behalf of  
8 the three of them and that they are to be treated as  
9 one. Mr. O'Connell?

10 MR. O'CONNELL: Mr. Chairman, each body here  
11 has their own submission.

12 THE CHAIRMAN: Separately?

13 MR. O'CONNELL: Separately, but we are  
14 proceeding jointly since the material in each of the  
15 three submissions goes together very tightly.

16 THE CHAIRMAN: Well, the presentation will  
17 be joint?

18 MR. O'CONNELL: The presentation will be  
19 joint.

20 THE CHAIRMAN: That is what I understood.  
21 I may say that in crossing the country we have had a  
22 very large number of submissions from the various  
23 provincial credit union organizations and we have already  
24 a considerable amount of material on the subject and  
25 I think you may take it that we are thoroughly familiar  
26 by now with the general principles underlying the move-  
27 ment and for that reason it may be that there may not  
28 be quite as many questions left unanswered as there  
29 would be if this was the first submission of this  
30 kind.





MR. O'CONNELL: In so far as it is possible we shall try to avoid any unnecessary repetition since we know the material that has been presented.

THE CHAIRMAN: Then, Mr. O'Connell, would you proceed?

MR. O'CONNELL: Before proceeding, Mr. Chairman, I would like to present the people who will be speaking to you during the day. To my immediate left is Mr. Bernie Johnson, who is the president of the Canadian Co-operative Credit Society Limited, Mr. R. J. McMaster, who is the retained counsel for the National Association of Canadian Credit Unions, Mr. Gordon Goundrey, professor of economics of the University of Alberta who is the economist in the preparation of the economic material in this brief, Mr. Rod Glen, who is vice-president of the Credit Union National Association, Mr. Robert Ingram, manager of the Canadian office of the Credit Union National Association, and Mr. D. Weinberg who is here to speak on behalf of the parent Credit Union National Association headquarters in Madison.

I will give you our introductory statement and then I will ask Mr. Glen to give you a brief outline of the position of the portfolio of the Credit Union National Association, Mr. Johnson a brief summary of the position of the Canadian Co-operative Credit Society Limited, and I will endeavour to give you a brief summary of the National Association of Canadian Credit Unions. If that is your pleasure we shall proceed in



that fashion.

COMMISSIONER LEMAN: They will come one after the other?

MR. O'CONNELL: Yes.

Three organizations brought into being by credit unions serve English speaking credit unions (and some French speaking credit unions as well). They are, Credit Union National Association (CUNA), National Association of Canadian Credit Unions (NACCU) and Canadian Co-operative Credit Society Limited (CCCS). Each performs a different although related function. To emphasize the difference, the submission of the English speaking credit unions (other than some of those represented by the Ontario Credit Union League) is being presented to this Commission in three separate briefs.

CUNA is an international association with headquarters at Madison, Wisconsin, but maintaining a Canadian office and manager at Hamilton, Ontario. It was one of the earliest influential factors in the development of credit unions in Canada through its educational and promotional programs.

NACCU is a national association of credit union leagues which was created by those leagues in B.C., Alberta, Saskatchewan, Manitoba, Quebec and Nova Scotia and P.E.I. Briefly the main object of NACCU is to co-ordinate the promotional, educational and legislative activities of provincial leagues as related to issues arising out of Canadian development.







1                    CCCS is a nationally incorporated  
2 association of co-operative credit societies. The  
3 largest co-operative credit societies, British Columbia,  
4 Saskatchewan, Manitoba and Ontario are members. Ten  
5 co-operative associations of other types engaged in  
6 interprovincial business may become members and six  
7 are members. CCCS is an extension of the principle  
8 of provincial co-operative credit societies to the  
9 national scene.

10                    Annexed to this introductory statement  
11 is a schedule setting forth an organizational chart  
12 showing the relationship between credit unions in  
13 Canada and these organizations and a brief statement  
14 of the objects and activities of each.

15                    At the provincial hearings the Commission  
16 showed a great deal of interest in the different types  
17 of credit union organization. To facilitate a clear  
18 cut picture of the extension of these organizations  
19 on the national scene, the representatives of the English  
20 speaking credit unions propose to present their national  
21 submission by three separate briefs and to make available  
22 knowledgeable officers of each of these three organizations  
23 to assist the Commission. In preparing these briefs  
24 we have sought to have regard not only to the general  
25 terms of reference but also specifically to those areas  
26 of the enquiry in which the Commissioners have expressed  
27 special interest in the course of the provincial hearings.

28                    I might add for the benefit of the Commissioners  
29 that after we went through the brief as submitted we  
30







1 found various errors and we will submit corrections  
2 to the Commission secretary, and if during the course  
3 of the proceedings today there is any question with  
4 respect to any particular section of the brief which  
5 contains an error we shall point/<sup>out</sup> the correction at  
6 that time.

7 I would like to ask Mr. Glen, then, to  
8 make a brief statement with respect to the material  
9 of the Credit Union National Association.

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1 MR. GLEN: Mr. Chairman, I believe all members  
2 of the Commission have the summary to the Credit Union  
3 National Association brief which I do not propose to  
4 read but to comment upon page by page.

5 Page 1, of course, deals with the history of  
6 the development of the Credit Union movement in the  
7 United States and its subsequent move across the border  
8 to Canada, the activities of two rather prominent  
9 individuals who are generally regarded by Credit Union  
10 people as being the pioneers in the development in  
11 North America.

12 On page 2 we draw the attention of the Commission  
13 to the manner and dates of the organization of the  
14 Credit Union National Association and how it began  
15 to expand its activities beyond the United States into  
16 Canada and subsequently into many other countries in  
17 the world.

18 We draw to the attention of the Commission the  
19 goals of the Credit Union National Association which  
20 are briefly stated in paragraph 6 on page 2 and the  
21 manner in which it carries forward these objectives.

22 In paragraph 8 we deal with the relationship  
23 between Credit Union National Association and various  
24 other segments of the Credit Union Movement and on  
25 page 3 the service organizations which the Credit Union  
26 Movement has brought into being to provide two specific  
27 services in the field of insurance on loans and in the  
28 field of bookkeeping and promotional supplies.

29 Under the patterns of development we point out  
30 the fact that although the basic main movements are the







1 same in the United States and Canada there are some  
2 divergencies in method of operation between the two  
3 countries, specifically the fact that credit unions  
4 in Canada have been incorporated by provincial legislation  
5 whereas in the United States we have both state and  
6 federal legislation.

7 The estimated number of credit unions in the  
8 United States is given in paragraph 14. In paragraph  
9 16 we point out the inter-relations with other segments  
10 of the co-operative movement and how this is a much  
11 closer relationship in Canada than in the United States.  
12 We deal briefly on page 17 with the so-called chequing  
13 services and how there is a divergence of views in  
14 Canada on the use of this type of service by Credit  
15 Unions.

16 In paragraph 19 we deal very briefly in the  
17 summary with the stability and history of loans in the  
18 Credit Union Movement. We feel that this is a remarkable  
19 record of stability and fiscal soundness. We attribute  
20 this to the forms of internal control which we have  
21 developed and the bonding service which is available  
22 to the affiliated credit unions, the system of reserves  
23 which has been devised and more recently the stabilization  
24 programmes which are now spreading across the continent.

25 We comment upon the matter of federal deposit  
26 insurance and here give the reasons why Credit Union  
27 National Association having examined this situation has  
28 come to the conclusion that it is not necessary or  
29 desirable for the Credit Union Movement.

30 On page 7 we set forth our position upon taxation







1 and this, of course, is expanded in greater detail in  
2 the brief itself and we conclude the summary with an  
3 appreciation to those people with whom we have worked  
4 in the preparation of the brief and of the summary and  
5 if I may read the last paragraph, Mr. Chairman:

6 "We trust our submission together with  
7 the other Credit Union submissions made to the  
8 Commission will prove helpful in its study  
9 and deliberations"

10 and I am sure that during the course of the questioning  
11 anything you may wish to ascertain from us I trust we  
12 will be able to answer.

13 MR. O'CONNELL: Mr. Johnson?

14 MR. JOHNSON: Mr. Chairman and Commissioners,  
15 as our spokesman has already informed the Commission  
16 the Canadian Co-operative Credit Society Limited is  
17 an instrument which has been created for the purpose  
18 of mobilizing the funds of the English speaking credit  
19 unions across Canada at the national level. We feel  
20 that this extension into the national field is useful  
21 to the Credit Union Movement and we believe with the  
22 changes we are recommending in the legislation under  
23 which we operate that it will be an effective instrument  
24 in the hands of the Credit Union people at that level.

25 Being an operating organization we have made  
26 several specific recommendations to the Commission. These  
27 recommendations deal with the various areas in which  
28 the Society is particularly interested. They all  
29 contained in the brief and we assume that the Commission  
30 has some familiarity with these suggestions, recommendations





1 and amendments.

2 I believe, Mr. Chairman, that this is all that  
3 I have to say at the present time except that we are  
4 prepared to answer any questions or discuss the  
5 recommendations with the Commissioners if they feel  
6 that this is desirable.

7 MR. O'CONNELL: Mr. Chairman, I will not attempt  
8 to summarize our summary as contained in the brief of  
9 the National Association of Canadian Credit Unions  
10 but I will just point out one or two things to refresh  
11 our minds.

12 On the purpose of the Credit Union Movements  
13 of the country I suppose you have heard very much along  
14 this line already but when we come to the national level  
15 there are one or two things that we would like to  
16 reiterate again.

17 First of all is that the Credit Union Movement  
18 is a movement in which the control and movement comes  
19 comes from below. We have not got a highly centralized  
20 body in Canada which is able to instruct the local  
21 credit union as to the policies that they will follow.  
22 Despite that, there is a general agreement on our aims  
23 and even on our methods of operation but fundamentally  
24 each credit union in Canada is an autonomous body able  
25 to set its own policies with respect to all matters.  
26 That is why we had some difficulty in the preparation  
27 of the brief in so far as the information which came  
28 forward was all of a voluntary nature. We were not  
29 able to issue any instructions except that they were  
30 very carefully couched in language which was not indicating







1 that we were giving any type of binding order.

2 This, we believe, is important to keep in mind  
3 because the whole idea of the Credit Union Movement  
4 is to get people to work together locally, to handle  
5 their own finances, to work economic problems which  
6 beset them as a particular group and to determine their  
7 own financial matters as much as it is possible to within  
8 the structure which has been created.

9 Because of this reason the National Associations  
10 which we have at the present time such as the Credit  
11 Union National Association and the National Association  
12 of Canadian Credit Unions are bodies which are dependent  
13 on the support of the individual local members as reflected  
14 through their leagues. Neither body has any ability  
15 to direct or control the provincial body nor has the  
16 provincial body the ability to direct or control any  
17 of the local credit unions. This has been our history.  
18 This has been, as far as we are able to find out, the  
19 best method of developing the credit union techniques  
20 and accomplishing the aims which the credit union people  
21 wish to accomplish and that is why throughout our  
22 submission you will find that we cannot recommend anything  
23 else but that the local autonomy legislatively speaking  
24 as reflected in provincial legislation be maintained.

25 We are very strongly of the view by the very  
26 nature of the organization that we have that any legislative  
27 matters that deal with credit unions in Canada be and  
28 remain at the provincial level.

29 As far as those things which have to do with  
30 the movement of our cash are concerned we have an





1 organization which is functioning only imperfectly,  
2 the Canadian Co-operative Credit Society and this  
3 reflects in its operations some of the procedure we  
4 have with respect to C.U.N.A. and M.A.C.C.U. which are  
5 fundamental organizations rather than monetary and in  
6 the same way the Canadian Co-operative Credit Society  
7 is owned and controlled by member local credit union  
8 orgazniations plus the other bodies which belong to it  
9 and they are not able to set down any absolute directive  
10 as to the method in which the credit unions who belong  
11 to the Canadian Co-operative Credit Society will  
12 dispose of their funds.







1                   There is nothing binding with respect to  
2 the membership of the credit unions in the centrals  
3 in the provinces. Nor is there anything binding  
4 with respect to the various league centrals in  
5 respect to membership in the Canadian Co-operative  
6 Credit Society.

7                   So, we would like to reiterate again and  
8 it may be ad nauseum, I do not know, the fact that  
9 we are local autonomous organizations. That has  
10 been our history and we feel that the credit union  
11 people in the country are very pleased with the method  
12 of legislation because of the close contact that they  
13 have with provincial bodies, and there would be very  
14 great resistance, I presume, locally to any change  
15 from this position.

16                  The only formal or informal recommendation  
17 that we are making and, I should say perhaps that it  
18 is an informal recommendation since we have not actually  
19 got the support of our member locals in this regard,  
20 and it is offered only as a guide to the Commission  
21 in the event it is looking at this particular feature  
22 of it, and that has to do with the disposition of sur-  
23 pluses in credit unions in the event of liquidation.  
24 We feel there may be some suspicion that at times  
25 the surpluses in credit unions might be used for purposes  
26 other than we state, and in the event of liquidation  
27 there might be people who could benefit from excess  
28 benefits under the distribution of these reserves.  
29 So, we suggest that if this is one of the areas of  
30 inquiry that you are interested in, two things be looked





1 at. First of all, that it would be recommended, I  
2 presume, to provincial bodies that a ceiling of so  
3 many percent -- whether it be 5 or 6 does not matter  
4 much -- be placed on savings, and that in the event  
5 of liquidation of any provincial organization, whatever  
6 may be in the surplus would be placed in the provincial  
7 stabilization fund or a like body. In other words,  
8 the surplus then would accrue towards the stabilization  
9 movement in any province to handle any other liquidations  
10 or to assist any credit unions which might get into  
11 trouble. This recommendation is contained at page  
12 106 of the brief, section 241.

13 THE CHAIRMAN: That is which brief?

14 MR. O'CONNELL: The brief of N.A.C.C.U.,  
15 which is the big blue one.

16 I think, Mr. Chairman, that will more or  
17 less wind up my introductory remarks to you, and I  
18 think that other things which are of particular  
19 interest to you will be brought out as we proceed,  
20 so that I will not labour this.

21 THE CHAIRMAN: Thank you Mr. O'Connell.

22 COMMISSIONER HARROLD: Mr. Chairman, perhaps  
23 we might start with a few questions about C.U.N.A.

24 All the briefs are very similar in that  
25 they go into the history and goals, and some of  
26 the differences in the way the credit unions operate.  
27 All the briefs that we have here in respect to C.U.N.A.  
28 N.A.C.C.U. and C.C.C.S. are similar, but I think C.U.N.A.  
29 would be of particular interest to us in making a  
30 comparison with many of the United States credit unions.







1 In the big brief we have the history and so  
2 on, and the schedules refer merely to the distribution  
3 of credit unions by asset size, the general membership  
4 and total members, and so on. There may be some other  
5 similarities or differences between the credit unions  
6 in the United States and Canada. The Credit Union  
7 Act schedules you have listed in the booklet are  
8 similar in a lot of respects, not necessarily different  
9 between the United States and Canada, because some  
10 of the States and some of the provinces of Canada  
11 have very similar credit union acts, or at least  
12 similar parts of each act.

13 One question I should like to ask is: in  
14 the United States as far as their credit unions are  
15 concerned, do they have organizations of centrals there,  
16 and, if so, what are their functions? Are they  
17 similar to those in Canada?

18 MR. GLEN: Mr. Chairman, we use the same  
19 terminology with regard to centrals but their functions  
20 are quite different. I think perhaps Mr. Weinberg,  
21 who is from Madison, Wisconsin, could give an  
22 explanation of the operation of the United States  
23 centrals. I believe the Commission now understands  
24 the operation of the centrals in Canada which are  
25 organizations primarily of credit unions. This is  
26 not so in the United States. Perhaps Mr. Weinberg  
27 could elaborate upon that.

28 MR. WEINBERG: Actually in the United States  
29 the centrals function under the Credit Union Acts  
30 under which they are chartered in the same fashion





1 as credit unions here. We have both state chartered  
2 and federally chartered centrals. These vary,  
3 particularly in terms as far as the federal unions  
4 are concerned. Actually they are officer credit  
5 unions.

6 Under the Federal Act there are restrictions  
7 upon the loans of officers in their own credit unions,  
8 and these officer credit unions were established to  
9 provide another source from which they could borrow  
10 money. The only funds that can be paid in in the  
11 form of shares are from the officers themselves, and  
12 therefore these credit unions have found their  
13 availability of direct funds rather limited, since  
14 these officers would prefer to put their money in  
15 their own credit unions. There effect is very,  
16 very limited in the States.

17 As far as the state chartered state  
18 centrals are concerned their membership is open to  
19 officers of credit unions; both state and federal  
20 chartered credit unions, but since investment in  
21 other credit unions is not an authorized investment  
22 for federal unions, they can only pay in or purchase  
23 \$10 or two shares in a state central. This would  
24 make them eligible to borrow from the state central.

25 The state chartered credit unions and  
26 the officers provide the sources for the shares.

27 A study was made a number of years ago,  
28 and we do not have any more recent information in  
29 this regard that I know of, as to the extension of  
30 loans by state chartered centrals. The statistics







1 indicate that approximately 50 per cent of the loans  
2 were extended to credit unions and the other 50 per  
3 cent were to officers.

4 In the overall the information at that  
5 time indicated that loans from centrals to credit  
6 unions represented a relatively small proportion  
7 of the overall borrowings of credit unions, so centrals  
8 do not at the present time represent a very vital factor  
9 in the total credit union development in the United States.

10 MR. O'CONNELL: I might add to that that  
11 in Quebec with respect to the English speaking credit  
12 unions, the function of their centrals is much the  
13 same as outlined by Mr. Weinberg.

14 COMMISSIONER GIBSON: Mr. Weinberg, did  
15 I understand you to say that there were limitations  
16 on the amount of shares that a credit union can put  
17 into a central; a state chartered central?

18 MR. WEINBERG: No, I indicated that there  
19 was a limit upon the amount that a federal credit  
20 union may put into a state central. The investment  
21 capabilities of a federal credit union are very clearly  
22 defined in the federal credit union act. The invest-  
23 ment in other credit unions is not one of their  
24 authorized forms of investment. However, by adminis-  
25 trative rule they are allowed to purchase two shares  
26 or pay in \$10 in order to make them eligible for loans  
27 from the centrals.

28 COMMISSIONER GIBSON: Are most credit unions  
29 in the United States state chartered or federally  
30 chartered?





7 COMMISSIONER GIBSON: Is there any limitation  
8 on state chartered credit unions in respect to placing  
9 funds with the centrals?

10 MR. WEINBERG: I would think not. However,  
11 I would like to refer to the digest where we have  
12 set forth all of the investing provisions of the  
13 various acts. To my knowledge I do not know of any.

14 COMMISSIONER GIBSON: I am just trying to  
15 find out why centrals have not grown more in the  
16 United States. Is it because they have not had access  
17 to funds the same as in Canada, or what is the real  
18 reason?

19 MR. WEINBERG: I guess they are just  
20 not regarded as an important factor in the total  
21 overall development of the credit union picture as  
22 they are here in Canada. They have just not taken  
23 hold in the same fashion.

24 COMMISSIONER GIBSON: Perhaps this is due  
25 to restrictions?

26 MR. WEINBERG: Yes, 50 per cent of the  
27 total credit union development in the United States would  
28 be very largely restricted in respect to the funds  
29 which they can place in the centrals.

30 COMMISSIONER BROWN: You referred to their







1 authority for making investments by the purchase of  
2 shares. Is there any restriction on their depositing  
3 in centrals?

4 MR. WEINBERG: This would be considered  
5 an investment as well, and the same restriction would  
6 apply. There is no deposit provision actually in  
7 the federal act, they have only shares.

8 COMMISSIONER BROWN: How about the state  
9 credit unions depositing in state centrals? Can they  
10 deposit or do they just buy shares?

11 MR. WEINBERG: They, I would say, could do  
12 both.

13 COMMISSIONER BROWN: Do they do both?

14 MR. WEINBERG: I think they do.

15 COMMISSIONER BROWN: In what sort of pro-  
16 portions?

17 MR. WEINBERG: I do not know.

18 COMMISSIONER LEMAN: Mr. Weinberg, what are  
19 the general characteristics of both types of charters?  
20 Why would one be induced to get a federal instead of  
21 a state charter, or vice versa?

22 MR. WEINBERG: Well, I would say generally  
23 it would be due to two things. One, the co-operative  
24 favourability of one over the other, although generally  
25 most loans are similar. They do have certain provisions  
26 which are substantially different, and in chartering  
27 a particular credit union it may be felt by the  
28 chartering people that a particular provision in a  
29 state act would be especially favourable to this group,  
30 and in that case they would seek a state charter. In





1 another situation they might feel that a federal  
2 charter might be more advantageous for the group, and  
3 they would seek a federal charter. Although, the  
4 overall figures are almost even, but on a state by  
5 state basis in many cases there are substantial  
6 differences. In some states you might have as much  
7 as 90 per cent federally chartered whereas in other  
8 states you might have as much as 90 per cent state  
9 chartered.

10 COMMISSIONER LEMAN: That is it, so I  
11 imagine in those states where you have 90 per cent  
12 federally chartered unions there must be something  
13 about the law of the state that is unfavourable. You  
14 say there must be something unfavourable and I am  
15 asking you what in general are the unfavourable or  
16 favourable characteristics.

17 MR. WEINBERG: I would say probably  
18 primarily in the area of unsecured limits or signature  
19 loan limits and loan maturities.

20 COMMISSIONER LEMAN: Are there great differences  
21 in the amount of supervision laws? Are there differences  
22 in respect to the provisions regarding supervision  
23 from state to state?

24 MR. WEINBERG: I would say there are some  
25 differences, yes, in the degree of effectiveness and  
26 thoroughness of supervision and examination of credit  
27 unions. Of course, as far as federals are concerned  
28 they would be fairly uniform, although the bureau  
29 set up is on a regional basis and they all operate in  
30 a uniform way.







1 COMMISSIONER LEMAN: Would a study of the  
2 material we have give us a little more precise idea  
3 of what are the factors involved in this general trend  
4 of chartering?

5 MR. WEINBERG: Yes.

6 COMMISSIONER LEMAN: You were referring  
7 to the digest there. I have the briefs here, and  
8 I have a little booklet called "62 Year Book", and  
9 I cannot find anything bearing on what I am asking  
10 you about in these.

11 MR. WEINBERG: Yes, that was included as  
12 an exhibit.

13 COMMISSIONER LEMAN: Will this one give us  
14 a pretty good idea?

15 MR. WEINBERG: Well, that will tell you what  
16 the fee schedules are in the various states. However,  
17 I do not think you would get any idea of whether the  
18 effectiveness is greater or lesser from reading that  
19 book.

20 COMMISSIONER HARROLD: In respect to the  
21 question of supervision, is there not supervision by  
22 the credit union centrals on the other credit unions  
23 operating within the states?

24 MR. WEINBERG: No, none at all. Of course,  
25 when an application for a loan is made, as is true  
26 in any case, the lending agency would look at the  
27 different aspects of the picture before granting  
28 a loan, but this would be true whether they applied to  
29 the central or any other credit union for a loan.  
30





1 COMMISSIONER HARROLD: Well, this super-  
2 vision by state or federal authorities is carried on  
3 by what department?

4 MR. WEINBERG: Well, the federal supervision  
5 and examination is under the Bureau of Federal Credit  
6 Unions, which is a bureau in the Department of Health,  
7 Education and Welfare, which also administers the  
8 social security programs and public welfare programs.

9 As far as the States are concerned, we  
10 have a breakdown on page 51 of the digest of the  
11 specific supervisory authorities in the States. I  
12 think you will find that generally at the present time  
13 it is under the Banking Department. In some cases  
14 it is under the Insurance Department and other departments  
15 but primarily it is under the Banking Department.

16 COMMISSIONER HARROLD: How about your  
17 relationship with banks and others? Do you carry  
18 lines of credit with the banks as the credit unions  
19 do in Canada?

20 MR. WEINBERG: Yes, they do. The larger  
21 credit unions have substantial lines of credit with  
22 their banks, and the figures I referred to before,  
23 when I stated that the total borrowings of credit  
24 unions from centrals was relatively small, also  
25 indicate that the borrowings from banks represent  
26 their primary source of borrowed funds.

27 THE CHAIRMAN: What sort of supervision  
28 does the Bureau of Credit Unions in the United States  
29 exercise?  
30







1 MR.WEINBERG: As I indicated, their  
2 organizational structure consists of regional offices  
3 geographically located in different parts of the  
4 country, and they have approximately 300 examiners  
5 in the field who go out and examine each credit union  
6 approximately once each year. They take the form  
7 of so-called surprise examinations.

8 THE CHAIRMAN: Sort of an audit?

9 MR. WEINBERG: It is sort of an audit, but  
10 it is not an audit, it is an examination. It is not  
11 quite as extensive as an audit. However, where their  
12 examination indicates that there may be problems they  
13 are authorized to go into greater detail.

14 COMMISSIONER MacKEEN: Like in terms of an  
15 inspection?

16 MR. WEINBERG: Yes, in terms of an inspection  
17 but we call it an examination.  
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1 Then we also come in where they see a credit union is  
2 in need of help, they will come in on so-called  
3 supervisory visits and the cost of such visits and other  
4 supervisory activities of the Bureau are defrayed by  
5 the so-called supervision fees which are paid annually  
6 and based upon an asset basis, and then their examination  
7 fees are defrayed on a pre-determined schedule.

8 COMMISSIONER LEMAN: May I ask you a question,  
9 Mr. Weinberg, on another feature. Is there much  
10 involvement by the credit unions with other co-operatives  
11 in the States in the way of granting loans to different  
12 <sup>of</sup> types/co-operatives?

13 MR. WEINBERG: Well, they could not write  
14 loans to co-operatives unless they were members of  
15 a credit union; they can only grant loans to members,  
16 and this might occur in a case where the field member-  
17 ship of a credit unions is a co-op, and in those  
18 cases usually the parent organization would be eligible  
19 for membership in the credit union, but as far as  
20 organizational accounts are concerned, they can't borrow  
21 beyond their shareholdings.

22 COMMISSIONER LEMAN: Not beyond their share-  
23 holdings?

24 MR. WEINBERG: Yes, that is right.

25 COMMISSIONER LEMAN: And do a lot of the  
26 co-operatives join the credit union system?

27 MR. WEINBERG: I would say no.

28 COMMISSIONER LEMAN: Do they sometimes belong  
29 to the central?

30 MR. WEINBERG: The C.U.N.A.?







1 COMMISSIONER LEMAN: Yes?

2 MR. WEINBERG: No, they wouldn't be eligible;  
3 only credit union officers would be eligible for  
4 membership in the centrals.

5 COMMISSIONER HARROLD: How about your practice  
6 in regards to interest dividend rates, interest on  
7 deposits and shares or interest rates on loans; is it  
8 similar to what we have here in Canada?

9 MR. WEINBERG: Well, we have some information  
10 in the 1962 yearbook -- are you talking about centrals  
11 or credit unions generally?

12 COMMISSIONER HARROLD: Credit unions generally.

13 MR. WEINBERG: Well, on page 9 we have the  
14 summary figures, and then on pages 13, 14 and 15 we  
15 have a breakdown by state or province as to the most  
16 common dividend rates paid by credit unions.

17 COMMISSIONER HARROLD: I am sorry, what is the  
18 page number?

19 MR. WEINBERG: Page 9 has the summary of  
20 figures, and pages 13, 14 and 15 show the breakdown  
21 by state and province as to the most common dividend  
22 rates.

23 COMMISSIONER HARROLD: This is an appendix rather  
24 than part of the brief, and I wonder if you would read  
25 the more important aspects of it?

26 MR. WEINBERG: On page 9 the summary figures  
27 indicate -- well, the largest number of credit unions  
28 in the United States, for instance, which would be  
29 26.7 pay a 4 per cent dividend, and the next largest  
30 number, 24.2 per cent, pay a dividend of 4 to 5 per cent,





1 and 20 per cent pay a 5 per cent dividend and 12.4  
2 per cent over-all pay 5 per cent or over, and on the  
3 lesser side 13.8 per cent in the United States pay 3  
4 to 4 per cent dividend and 2.9 pay a 2 per cent or  
5 below dividend, so I think you will find that the largest  
6 number are between, actually, 4 and 5 per cent. This  
7 will over 50 per cent of all the credit unions.

8 COMMISSIONER HARROLD: How about interest on  
9 shares on deposits in the other industries, those that  
10 put money in shares or deposits; what interest rate  
11 is paid?

12 MR. WEINBERG: Well, in the federals I indicated  
13 there are no deposits, there are only shares; they  
14 don't allow for deposits at all.

15 COMMISSIONER HARROLD: And this total, then,  
16 refers to the shares?

17 MR. WEINBERG: Yes.

18 COMMISSIONER HARROLD: And not to the patronage  
19 dividend?

20 MR. WEINBERG: That would be something else,  
21 that would be paid on borrowers' interest.

22 COMMISSIONER BROWN: On page 18 of the digest  
23 I notice there is a reference to dividends, and apparently  
24 in quite a number of States there is no maximum limitation.  
25 I am rather interested in the one in Massachusetts, where  
26 it says, "Not to exceed 8 per cent unless guaranteed  
27 fund exceeds 15 per cent of assets"; this is the maximum  
28 limitations by statute. In fact, do many credit unions  
29 through their organization or who are members of your  
30 organization pay dividends in excess of 6 per cent?





1 MR. WEINBERG: Well, federals have a limitation  
2 of 6 per cent, they can't pay more than that figure  
3 and I might say that there are very few if any on a  
4 state level that pay more than 6 per cent.

5 COMMISSIONER BROWN: There are some?

6 MR. WEINBERG: There may be some few, but I  
7 wouldn't know; there may be some few that do pay more  
8 than 6 per cent, but I would say it would be a very,  
9 very vast minority.

10 COMMISSIONER BROWN: A small minority!

11 MR. WEINBERG: Yes.

12 COMMISSIONER HARROLD: Have you any figures  
13 on the rate of withdrawal of savings?

14 MR. WEINBERG: I don't believe we have any  
15 direct figures as such; we do have merely the summary  
16 figures of growth which would be a combination of the  
17 withdrawals and the share payments and the net growth  
18 figures, would, of course, be the balance.

19 MR. GLEN: I might comment that it has only  
20 been in comparatively recent years that C.U.N.A. has  
21 had a properly constituted statistical department which  
22 can engage in gathering together these figures, and  
23 that is why you will see in the tables a good many blanks  
24 as the years are rolled back, and I think that probably  
25 this is a bit of the problem we have in answering your  
26 questions; there haven't been the facilities to gather  
27 this type of information until about three or four years  
28 ago.

29 COMMISSIONER GIBSON: For some reason I don't  
30 <sup>a</sup> have/yearbook, so this information may already be in there.







1 Have you got any figures on cash and ratios, are they  
2 in this report?

3 MR. WEINBERG: No.

4 COMMISSIONER GIBSON: Could you give us some  
5 idea of the sort of typical cash and liquid asset  
6 ratios?

7 MR. WEINBERG: By and large there are no  
8 statutory regulations or provisions governing cash  
9 and liquidity; it is left up to the individual credit  
10 union to regulate and govern it within itself. We  
11 made a study of the various acts several years ago  
12 and there were only possibly two or three States that  
13 had some allusion to it in their acts; the others made  
14 no reference to it whatsoever.

15 COMMISSIONER GIBSON: Is there any reference  
16 to it in the federal act?

17 MR. WEINBERG: No.

18 COMMISSIONER BROWN: You say that reference was  
19 made to it; what was that reference?

20 MR. WEINBERG: I don't recall it specifically  
21 it, but it required a specified percentage of total  
22 assets to be kept in the cash account in the bank.

23 COMMISSIONER BROWN: What percentage?

24 MR. WEINBERG: I don't remember the figures,  
25 but for some reason 5 per cent sticks in my mind.

26 COMMISSIONER BROWN: Could you tell us anything  
27 about the practice?

28 MR. WEINBERG: About the practice? Well, as  
29 I indicated it is left primarily to the discretion of  
30 each individual credit union and the board of directors



1 generally determines what their cash liquidity position  
2 should be, based upon the experience of that credit  
3 union and their own views as to the general income  
4 conditions both in the country and in so far as their  
5 particular membership is concerned.

6 COMMISSIONER BROWN: Could you give us some  
7 idea?

8 MR. WEINBERG: Well, for instance, where we  
9 have a credit union in an automobile plant in Detroit  
10 and they are in the process of contract negotiations  
11 and the possibility of a strike looms up; at this point  
12 they would have reason to believe that they might have  
13 a heavy drain upon their cash and the board of directors  
14 might anticipate this as much as a year in advance and  
15 start building up their cash. This would be something  
16 which would affect their own particular field of  
17 membership as opposed to the general economic conditions  
18 in the country.

19 Now, also there are certain rumblings in the  
20 United States, as you know, as far as their economic  
21 situation is at the present time with regard to the  
22 stock market, and so forth, and perhaps some of the  
23 credit unions might feel at this time that they should  
24 be more conservative and retain greater ready cash  
25 credit, sums of ready cash, that this is left to the  
26 discretion of the board of directors of each credit  
27 union, and by and large there haven't been too many  
28 problems and it is also felt where they need cash  
29 they can go out generally and borrow on the open market.

30 COMMISSIONER BROWN: Does C.U.N.A. attempt to





1 give any leadership or education in this aspect of it?

2 MR. WEINBERG: Well, nothing greater than  
3 a general education in the field; they don't attempt  
4 to in any way govern or attempt to regulate, but they  
5 educate them in the general economic principles here  
6 and the need for it under certain circumstances.

7 COMMISSIONER BROWN: What sort of suggestions  
8 do they make?

9 MR. WEINBERG: The same sort of thing I am  
10 saying here; they should study a thing for liquidity  
11 based upon all of the factors they have at hand and to  
12 try and anticipate those things so that should a need  
13 develop they will be in a position to meet it.

14 COMMISSIONER BROWN: This is pretty general.

15 MR. O'CONNELL: I think there should be some  
16 expansion here, Dave. One of the educational techniques  
17 which is used by the credit union is the holding of  
18 regional schools for credit union officers and the holding  
19 of chapter meetings and a combination of chapter meetings;  
20 chapters being organized comprising credit unions within  
21 a certain locality and during the last few years --  
22 and perhaps I might be corrected on this -- I understand  
23 that Dr. Polner was the research director of the  
24 Credit Union National Association, the economist, and  
25 he has been doing quite a lot of work in the field  
26 with credit union officers, particularly those who are  
27 officers who are actually managing; making them a little  
28 bit more aware of these things, the liquidity requirements  
29 and the necessity of relating their operation to their  
30 liquid position.





1 In addition to that there is the C.U.N.A.  
2 insurance service branch; I believe it is called  
3 the loss prevention programme and it is those who are  
4 in charge of the bonding programme, is it not? They  
5 are concerned about anything which increases the safety  
6 of the operation of the credit union and they have one  
7 or two or three very capable people, including at least  
8 one chartered accountant, who engage in similar activities  
9 throughout the United States and Canada. However, I must  
10 say that their activities to date are spread rather  
11 thinly, but there is an increasing awareness on the  
12 part of the management in C.U.N.A. and the executive  
13 committee of C.U.N.A. that the programmes which are  
14 required are more than the old line educational programmes.

15 In addition to that, the Credit Union National  
16 Association sponsored for the first time -- this will  
17 be an annual affair -- the C.U.N.A. conference in  
18 Denver, and this is the credit union executive service  
19 and Mr. Glen has been very closely associated with that  
20 committee and perhaps he might give you an idea of their  
21 activities.

22 MR. GLEN: May I say this, Mr. Chairman,  
23 that as a Canadian who has had some part in the activities  
24 of C.U.N.A., which draws its membership largely from the  
25 United States, it has been my observation that in  
26 general the credit unions within a particular state  
27 tend to look much more to their own state league for  
28 advice and guidance than look to the National Association.

29 The National Association is an organization  
30 of States leagues as well as Canadian leagues and it



operates primarily in the field of education, organization, and national legislative problems. Because they don't have the types of central credit unions we have in Canada, there is no way in which they can have direction on economic trends or economic problems coming from a financial organization with which they have a direct relationship. Their centrals do not perform this function in the same way that they do for the credit unions in Canada which belong to the Canadian central credit union.

Now, it has been my observation also that the credit union activity in the United States is in a constant situation of change and development, and as Mr. O'Connell has indicated, this has brought the special leagues to call upon the National Association to do jobs for them that they can't do for themselves effectively as yet.

One of these is in the area of the loss prevention programme and it is hoped in C.U.N.A. that by beginning this programme, which is one directed to the credit union to get the officers to examine very closely the affairs of their organization and to point out to them the areas in which defalcations or losses should occur, that those interested then should be transmitted to the state league level so that they would carry the programme on from that point.

In other words, C.U.N.A. endeavours to stimulate particular programmes in the league and lets the league carry them on.

From that we move forward to another situation





1 with which we have been rather closely associated,  
2 and that is the problem confronting the growing credit  
3 unions, the ones that are getting up to the \$1 million  
4 or more position in assets. We find here that these  
5 credit unions begin to develop certain problems of  
6 their own, which are largely of management techniques,  
7 and up until very recently there was no machinery,  
8 no effective machinery except on a rather spotty  
9 basis in the various states leagues in the United States,  
10 so C.U.N.A. was requested to inaugurate what is known  
11 as the credit union executive service programme. This  
12 we are in the process of developing and it is an  
13 organization which has attached to it a professional  
14 society to which the career people or the staffs and  
15 the managers and certain managers can belong, and the  
16 purpose of this professional society is to act as the  
17 vehicle for the credit union executive services  
18 programme.

19 Now, very briefly the executive services  
20 programme is to deal in terms of modern and efficient  
21 management techniques at the credit union level, and  
22 such things as automation, office equipment, new techniques  
23 in terms of data processing and things of this nature  
24 are being brought to the attention of the larger  
25 credit unions which are developing a need for them.  
26 This, I think, is about all I can tell you on this aspect  
27 of it. I did that on page 1 of the yearbook with  
28 regard to the relationship between reserves and assets.

29 COMMISSIONER BROWN: Page 1 of the ...?

30 MR. GLEN: Of the digest. I realize I didn't





1 add to it with relationship to reserves of cash, but  
2 if you will notice on the top of the page it shows  
3 the reserves as \$321 million and total assets of  
4 \$6,300,000, and it has been my observation that the  
5 reserves shown here are usually liquid reserves and  
6 are invested in savings and loan associations or held  
7 in cash or in investment bonds.

8 COMMISSIONER BROWN: Well, this reserve on  
9 page 11 in that booklet ---

10 MR. GLEN: Yes, that would be it.

11 COMMISSIONER BROWN: It says that this fund  
12 is held for members as a reserve against uncollectable  
13 accounts or enforcing liquidation?

14 MR. GLEN: But these are invested reserves,  
15 and I believe at the time they may be.

16 COMMISSIONER BROWN: What do you mean by  
17 "enforcing liquidation", is that liquidation of a union?

18 MR. GLEN: Well, we have examples of this  
19 in some of the industries that are dying, as it were.  
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1 THE CHAIRMAN: This is where a union winds up?

2 MR. GLEN: That is right.

3 THE CHAIRMAN: So those reserves are for a  
4 limited purpose?

5 MR. GLEN: In this, I presume, would be the  
6 reserves for the possible loss in loans.

7 THE CHAIRMAN: But are there any reserves for  
8 possible runs?

9 MR. GLEN: You mean liquidity reserves?

10 THE CHAIRMAN: Yes.

11 MR. GLEN: As Mr. Weinberg has indicated, this  
12 is a matter that is left largely to the individual  
13 credit union.

14 THE CHAIRMAN: But there is no mention of it.

15 MR. GLEN: This is largely because in our  
16 statistical department we haven't developed the machinery  
17 for gathering that material yet.

18 COMMISSIONER LEMAN: On that very first page  
19 which I have been looking at for five minutes now, isn't  
20 it interesting to see how very active in relation to  
21 the population of Canada the credit unions/<sup>are</sup>compared to  
22 the United States. The concentration is much higher  
23 here, isn't it?

24 MR. GLEN: Yes, this is true.

25 COMMISSIONER LEMAN: Could you hazard a guess  
26 as to why that is ?

27 MR. GLEN: Well, it may be zeal on the part of  
28 those of us in Canada who are interested in the Movement.  
29 However, I think basically the situation in the United  
30 States -- and you will find this in this yearbook --





1 that by far the great majority of credit unions in  
2 the United States are organized within industrial unions.  
3 In Canada the picture is considerably<sup>different</sup>/ I believe it is  
4 48 per cent of the credit unions in Canada are on more  
5 or less a community basis. Being on a community basis  
6 the field of membership is somewhat larger than it would  
7 be if the credit union were confined to an industry.  
8 Again, in certain areas of the United States , for  
9 instance, we have a large number of credit unions that  
10 operate within the railroad industry. This is an industry  
11 which is plagued with problems. We refer to it as a  
12 dying industry in terms of employment. The membership  
13 does not tend to expand; it tends to contract. The  
14 shift in the economy of the United States is more and  
15 more into the service types of industry, and in this  
16 area the Credit Union Movement has not expanded as yet.

17 COMMISSIONER LEMAN: How about community types  
18 in the United States? Have any efforts been made?

19 MR. GLEN: There are very, very few. Just why  
20 this expansion has not taken place there I am at a loss  
21 to say, sir. I think it is about  $3\frac{1}{2}$  per cent of the  
22 total credit unions are organized on a community basis.

23 COMMISSIONER LEMAN: The other feature that  
24 surprises me is to see how small the "elsewhere" is  
25 here: Does that represent the whole balance of the  
26 world?

27 MR. GLEN: Yes, it does. I would point out to you  
28 that it was not until 1955 that the Credit Union began  
29 to turn its attention outside the North American  
30 continent. In some areas we have made what we consider





1 to be a rather spectacular progress. In other areas,  
2 of course, the very nature of the country itself in terms  
3 of literacy and economic conditions inhibits this type  
4 of development. We have done very well in the Fiji  
5 Islands, for instance.

6 COMMISSIONER LEMAN: Let us talk about Europe  
7 itself: I understand from the history that the origins  
8 of the Movement in North America were inspired by  
9 some types of institutions in Europe that have the same  
10 objects -- a saving type of unit?

11 MR. GLEN: That is correct.

12 COMMISSIONER LEMAN: So, what I am wondering  
13 is whether perhaps there might be a question of semantics  
14 there. Are there not some co-operative type institutions  
15 operating in Europe that would be much larger than  
16 indicated here?

17 MR. GLEN: In Germany the Raiffeisen societies  
18 fill the same role. From the limited knowledge I have  
19 of their operation, I would say it is comparable in terms  
20 of participation.

21 MR. O'CONNELL: These figures refer only to  
22 those societies affiliated with the Credit Union National  
23 Association. These are only C.U.N.A. figures.

24 MR. GLEN: The Raiffeisen societies are not  
25 affiliated.

26 COMMISSIONER LEMAN: Oh, now I understand. In  
27 effect, this does not give us a good comparison of the  
28 type of savings that are accumulated in various countries?

29 MR. GLEN: No. The main attention of C.U.N.A.  
30 has been in the so-called under-developed countries.







1 COMMISSIONER LEMAN: I am still on page 1 where  
2 you show the figures for Canada: You are still referring  
3 to all affiliates of C.U.N.A.?

4 MR. GLEN: Yes.

5 COMMISSIONER LEMAN: Or not?

6 MR. O'CONNELL: No.

7 COMMISSIONER BROWN: This includes the Caisses  
8 Populaires.

9 MR. INGRAM: Yes, these do include all the  
10 credit unions and the Caisses Populaires in Canada  
11 for which we have reported figures.

12 COMMISSIONER LEMAN: So, would you say the  
13 figures are comparable for the United States and  
14 Canada as representing the type of savings in co-operative  
15 types of organizations, but so far as the "elsewhere" is  
16 concerned the comparison is not there?

17 MR. GLEN: That is right. We haven't established  
18 the relationship that would enable us to gather those  
19 figures. I could add that occasionally we do establish  
20 relationships, and in British Columbia we have established a  
21 relationship with the similar types of organizations in  
22 Holland because many of our people are arrivals from  
23 Holland since the war. We do have a contact there, but  
24 not on a statistical basis.

25 COMMISSIONER HARROLD: You say most of your  
26 credit unions are industrial unions: What type of loans?  
27 Is there is any uniformity in the kinds of loans that  
28 are made to members? Are they mostly for consumer  
29 purchase goods?

30 MR. GLEN: That is primarily the field of lending.



1 COMMISSIONER HARROLD: Is there any mortgage  
2 lending in the United States from the credit union?

3 MR. GLEN: Within my observation I would say  
4 not to a great degree. Most of the credit unions I  
5 have looked at on this basis have been the state-chartered  
6 ones. They are permitted, the ones I have seen, to  
7 enter this field, but the term of the lending is very  
8 low -- five years or something like this. I am not  
9 familiar with the federally chartered situation.

10 MR. WEINBERG: I might refer you to page 23  
11 of the digest where we have a breakdown of the real  
12 estate loans in the various jurisdictions.

13 COMMISSIONER HARROLD: You would say the bulk  
14 of the loans would be on consumer goods?

15 MR. WEINBERG: Yes. As a practical matter  
16 I might add, although there are restrictions as such for  
17 the federal credit unions in the extension of real estate  
18 loans, they have a practical restriction in that the  
19 maximum maturity limit is five years. So, any loans  
20 for real estate purposes are generally for home improvements  
21 rather than purchases.

22 MR. O'CONNELL: As far as we are aware, I believe  
23 the loans in the United States are mostly for short terms,  
24 both for the consumer goods and consumer services.

25 COMMISSIONER MACKINTOSH: Mr. Chairman, I have  
26 a few questions on the National Association of Canadian  
27 Credit Unions' brief, if there are no more on C.U.N.A.

28 In the early part of your brief concerned  
29 with structure, you give a good deal of information as  
30 to growth and size of the individual credit unions.







1 Are there any problems related to size? Is there anything  
2 you can say as to an optimum size credit union beyond  
3 which you begin to encounter difficulties and below  
4 which you find difficulties in operating? I don't mean  
5 any precise figures.

6 MR. O'CONNELL: Have you any special difficulties  
7 in mind, Dr. Mackintosh?

8 COMMISSIONER MACKINTOSH: Well, it would seem  
9 obvious to me a comparatively small industrial credit  
10 union or a comparatively small rural credit union had  
11 knowledge of its members to the extent that some of  
12 the very large unions -- I think there is a very large  
13 one in Montreal and a very large one in Vancouver --  
14 knowledge must be pretty impersonal in those cases.  
15 This is not a club among neighbours. This is a big  
16 organization. You speak of advising credit unions on  
17 computers and data processing machines. This was not  
18 quite, I think, what was thought of by some of the  
19 originators of this movement.

20 MR. O'CONNELL: I might make several remarks  
21 along that line. First of all, I do not know if we  
22 necessarily subscribe to the opinion that because the  
23 credit union unit is small in itself that the knowledge  
24 concerning the membership is that perfect, although it  
25 more likely would be. It might be a knowledge that is  
26 based on whether he is a good fellow or a bad fellow--  
27 whatever that may mean -- and as far as the lending  
28 practices of the credit union are concerned, as the  
29 result of that there is a possibility that things could  
30 be done wrongly -- the funds could be loaned out improperly,





1 which, I suppose, is something which we are interested  
2 in. However, I won't pursue that question.

3 The question of the larger credit union and  
4 how the knowledge among the membership will diminish  
5 with size: If the credit union was established and the  
6 membership came at the same time, then there would be  
7 a very strong argument in what you say; but the history  
8 of the credit unions has been one of very, very slow  
9 growth.

10 COMMISSIONER MACKINTOSH: Slow growth?

11 MR. O'CONNELL: Comparatively speaking; taking  
12 them one by one. I have been associated with a credit  
13 union which went in membership from something below  
14 200 to something well over 3,500, and the development  
15 of that credit union was such that even though we expanded  
16 in members by that amount we were still able, because  
17 they came in at such a rate, to maintain a knowledge and  
18 contact and understanding of those people within our  
19 officer group; they knew who they were. I would not  
20 say all the members of the credit union knew each other  
21 person to person, but there was an identification with  
22 the members with the credit union and there was knowledge  
23 on the part of those people who had their contact with  
24 the member as to who they were and what they did. I  
25 do not know how this in any way is against the earlier  
26 concepts of the movement because of numbers, but before  
27 we come into that, I think Mr. McMaster can refer to  
28 Vancouver. He has had some personal contact with the  
29 larger credit union in that centre which you mentioned,  
30 and he may wish to make one or two remarks along that





1 line.

2 MR. McMASTER: I think what Mr. O'Connell  
3 has said is true, that a credit union just does not  
4 come into being. You don't say, "We will have a credit  
5 union", and then have a 10,000 member credit union  
6 or a 5,000 member credit union. It is something that  
7 begins normally with a relatively small group of people  
8 and adds to the membership, and it adds to the membership  
9 people who have accepted the basis of operation of a  
10 credit union, so that you have on the one hand a group  
11 of people who are prepared to take part in this type  
12 of operation, and, on the other hand, it adds to the  
13 membership in a way in which the officers of the credit  
14 union are able to be aware of the new members coming  
15 in and their relationship, and to ascertain something  
16 about their character and their functions.

17 I think another factor also is that while a  
18 community credit union theoretically could have as  
19 members everybody in the community, it tends to  
20 attract to the credit union, normally speaking, in a  
21 city like Vancouver, a general cross-section of working  
22 class people. You will have some exceptions to that,  
23 but you have the ordinary wage earner in this picture.  
24 You have a group of people who tend, therefore, to be  
25 more likely to have groups within the group who know  
26 each other than if you had a complete cross-section of  
27 the community where there would be no contact at all.

28 So, there are ways and means of communicating  
29 and checking up on a person, if it is in terms of loan  
30 activity, that may not be as readily available to other







1 groups, as well as the facilities, of course, of credit  
2 rating institutions and that sort of thing.

3 MR. O'CONNELL: There is a tendency also as  
4 far as growth is concerned for people who have received  
5 a benefit of the credit union service to encourage their  
6 friends and their neighbours to join the credit unions,  
7 so that very often you will find that the pattern of  
8 growth is not based on people who are unknown in the  
9 credit union organization coming into an organization,  
10 but that it is friends of established members or neighbours  
11 of established members who come in as the result of the  
12 social conversation of these people at gatherings of  
13 various types, and we find that when one person has  
14 received, for instance, a loan and has been successful  
15 in the completion of it, or has received an extra  
16 special emergency service from the credit union, that  
17 usually tends to attract people either in his occupation  
18 or in his neighbourhood, or something along that  
19 line.



1 We find that there is a constant cross-  
2 cut among the members when they are coming in. That  
3 has been my own personal experience. Perhaps Mr.  
4 Ingram of the Canadian office who travels the country  
5 may have a wider view than I would have and if it  
6 would be of value to you I would ask him to make a  
7 few comments to see if there is any substantiation  
8 of that.

9 MR. INGRAM: I think what Mr. O'Connell  
10 has said is essentially true in all parts of Canada,  
11 even in the larger industrial credit unions where  
12 sometimes the growth is very rapid in terms of assets,  
13 but even in these credit unions they do grow member-  
14 shipwise at a relatively slow rate.

15 As has been pointed out, in nearly all  
16 cases there is not an extremely rapid initial growth  
17 at the time the credit union is organized and for  
18 the most part, the officers and directors of the  
19 credit unions seem to have a desire to grow at a slower  
20 rate membershipwise so that they can acquaint themselves  
21 with the various problems as they grow up which growth  
22 automatically brings with it, and they are not too  
23 anxious to bring in thousands of members in one or  
24 two days' time.

25 COMMISSIONER MACKINTOSH: You are suggesting  
26 that the very rapid growth of the credit union movement  
27 depends more on the institution of more credit unions  
28 than the increase in the numbers of the existing  
29 credit unions?

30 MR. O'CONNELL: Well, it is a combination of





1 both with, I think, the emphasis on new organizations.

2 MR. GLEN: May I emphasize the point Mr.  
3 McMaster made, this business of groups within groups.  
4 The credit union of which I have been president for  
5 many years is a community organization but we have  
6 found, almost since our inception, that our membership  
7 tends to come from these groups within the group. We  
8 have, for instance, in our community a pulp mill and  
9 the members who work in that pulp mill are the ones  
10 who tend to attract members from that group.

11 When our board considers a membership  
12 application in cases where the board is not acquainted  
13 with the member they will defer that application and  
14 call somebody from the pulp mill in for a talk about  
15 the worker who has applied and again we tend to expand  
16 the group of people to whom we normally refer as our officers  
17 beyond the statutory requirements. We have various  
18 committees et cetera and it is very, very rarely that  
19 we have found an application in which we cannot get  
20 supplementary information through someone who is  
21 already a member.

22 MR. GOUNDREY: Mr. Chairman, to put this in  
23 a very simple expression, most of the members are  
24 recruited by members and this is what gives you this  
25 relationship. It is this actual recruitment. This  
26 also happens even in the civil service as well as  
27 the credit unions even down to the local parishes.

28 COMMISSIONER MACKINTOSH: Why do you say  
29 "even the civil service"?

30 MR. GOUNDREY: Well, they do not normally have





1 a recruiting officer but they behave as recruiting  
2 officers when you go into the door.

3 COMMISSIONER LEMAN: Are there any figures  
4 which would indicate -- my question would apply to  
5 you as credit unions, either American or Canadian  
6 credit unions -- where in general when a fellow belongs to  
7 a credit union all his savings or substantially all his  
8 savings are in the credit union?

9 MR. O'CONNELL: I think, Mr. Leman, that the  
10 pattern may be a little bit different in Canada than  
11 in the United States and procedure might differ again  
12 in Canada. I would say generally speaking as far  
13 as the United States is concerned that the membership  
14 in some way which I have no knowledge of divide their  
15 savings between the credit unions and the banks. This  
16 is particularly because of the necessity of obtaining --  
17 banks or savings and loan institutions -- particularly  
18 because of the need of obtaining chequing service from  
19 the banks and mortgage service from the savings and  
20 loan institutions so that they have to have some of  
21 their business dealings with the other established  
22 financial institutions.

23 In Canada that would be true in various  
24 places to a varying extent. In some places, though,  
25 it is quite possible because of the variety of credit  
26 union services, for the member of the credit union  
27 to obtain a complete financial service from his credit  
28 union and that leads into the second part of Dr.  
29 Mackintosh's question with respect to size as being  
30 against probably the original concept of the founders



of the movement.

COMMISSIONER MACKINTOSH: I did not really say it was against them. It seemed to me they had not contemplated this. If you read the earlier literature it is not on that basis.

MR. O'CONNELL: The early literature, I think the essence of the early literature was that the idea of the credit union is to get people into the organization to finance their needs and in the beginning that was done through gathering ten cent pieces and 25 cent pieces during the 1930's to the point where you could finally make a loan for \$10. I know the credit union in Sydney in 1932, one of the big decisions they had to make was how to handle a \$5 loan situation after they got \$8 into the credit union, and that took a meeting that lasted 2½ hours. But we have progressed a little beyond that point.

The thing is that the idea always essentially was that people should have this institution for servicing their needs and we feel that there is in Canada a greater relationship of the member with his credit union than you will find perhaps in some other place.

That is due to the type of educational programs that we have. In some places the credit union members consider themselves as this being a sort of way of life with them. You will find it expressed most simply, I would think, in the phrase that the credit union person always refers to himself as a member of a credit union and as belonging to a credit union and not as a customer of a credit union. I have not





1 heard, in my own experience -- which is not the biggest  
2 experience in the world by any means -- but I have  
3 always heard members of credit unions refer to themselves  
4 as members and therefore as owners and controllers.

5 This means, as a result of this, that  
6 people have tended to look for ways and means of  
7 satisfying a greater variety of services and they  
8 feel it is only proper for them to devote their  
9 activities in the financial field to a mass fund  
10 which will be sufficient not only perhaps to handle  
11 their personal credit needs which was mostly the  
12 original conception, but that this has expanded in some  
13 places to providing themselves with chequing services  
14 so it will be possible for them to do all their business  
15 with the credit union which is their desire. I might  
16 add with respect to the credit union chequing service  
17 that the credit unions themselves usually do not push  
18 this too heavily. They provide it but they do not  
19 promote it in the same way they promote the savings  
20 program based on thrift or the loan program based on  
21 favourable rates of interest and things of that type.

22 COMMISSIONER MACKINTOSH: I do not want to  
23 get into the chequing service now, but I take it your  
24 view is that while the increase in size does create  
25 problems of organization and staffing it does not  
26 weaken in your opinion the fundamental attitude of  
27 the credit union members.

28 MR. O'CONNELL: There may be some places  
29 where this has happened as an individual unit but as  
30 far as we are able to judge -- and we have fairly good





1 lines of communication nationally on these matters -- I  
2 do not think so.

3 COMMISSIONER MACKINTOSH: There is another  
4 thing which interests me in your organization and  
5 structure. From what has been said and what we  
6 have learned elsewhere there seems to be two aspects  
7 to the central. In part they are credit unions for  
8 offices of other credit unions and that seems to be  
9 almost a minor matter of organization, not much more  
10 than the staff diningroom. And I gather in the United  
11 States that there is a tendency to limit them to this  
12 function. But in Canada there is another aspect  
13 of them and that is to say as a reserve pool and a  
14 credit pool for the member credit unions and there  
15 is even a desire on the part of the Canadian Co-operative  
16 Credit Society to be a super pool for the mobilization  
17 of reserves. Now, I was never quite clear as to the  
18 thinking on which this is based. In part I understand  
19 that there are seasonal surpluses and deficiencies of  
20 funds that can be evened out by this type of pooling.  
21 Generally speaking, where these reserve pools are  
22 set up in any organization the rule tends to be that  
23 the larger the pool in the sense of having more members  
24 depends on it, the more liquid that pool has to be,  
25 that the higher your liquidity should be in the super  
26 pool, the intermediate pools, perhaps a little less  
27 liquid and that enables the locals, as I might call  
28 them, to maintain a lower level of liquidity apart from  
29 their access to the central pool.

30 That does not seem to me to be true in the







1 credit union movement. Some of the investments of the  
2 central and even, if important, in co-operative credit  
3 societies -- and I do not want to discuss that now --  
4 tend, if anything, to be less liquid than those of  
5 the locals. To the degree that credit unions spread  
6 extensively into chequing accounts this could be serious.  
7 I am not suggesting that it is at present but if that  
8 is the direction in which the movement is going -- this  
9 is similar to the old United States banking system,  
10 central reserve cities and reserve cities, et cetera,  
11 and the financial panic ran up and down those lines  
12 in quite a destructive fashion. Have you any comment  
13 to make on this tendency to build up these pools?

14 MR. O'CONNELL: Perhaps in the beginning  
15 at least we will ask Mr. Johnson to comment on this.

16 MR. JOHNSON: I think, Mr. Chairman and  
17 Mr. Mackintosh, experience has shown at the local level  
18 that the reserves which have been built up by local  
19 credit unions have been generally adequate to take care  
20 of any possible losses which have been experienced --

21 COMMISSIONER MACKINTOSH: I am not really  
22 talking about losses, that is to say, the retention of  
23 assets so that you have a sufficient surplus of assets  
24 to meet the contingent losses. I am merely talking  
25 about liquidity.

26 MR. JOHNSON: I was going on from there to  
27 say that generally speaking -- and my thinking is perhaps  
28 coloured by the experience in Saskatchewan which I know  
29 more about than I do about other areas -- the tendency  
30 has been for credit unions generally -- I think this is





1 true all over -- to place their reserves with the  
2 provincial central credit unions who in turn are re-  
3 quired to have fairly adequate reserves for liquidity  
4 purposes. I think it is true to say of the credit  
5 union movement generally that the provincial central  
6 organizations have always endeavoured to maintain  
7 a liquidity which would take care of any possible re-  
8 quirements of their member credit unions.





1     Going from there to the national scene.

2             It is a bit difficult to assess the national  
3     scene because of the very limited operations of the  
4     Canadian Co-operative Credit Society up to the present  
5     time. I can see; at least, I feel I can see, a similar  
6     picture unfolding in the Canadian Co-operative Credit  
7     Society as we have at the provincial level in that  
8     national organizations will always endeavour to maintain  
9     adequate liquidity in order to take care of the requirements  
10    of withdrawal of deposits by the various centrals across  
11    Canada who are members of the Canadian Co-operative  
12    Credit Society. Perhaps a guarantee of this liquidity  
13    as far as possible would be in that we would endeavour  
14    to make short-term demand loans to our member organizations,  
15    and the limited experience so far within the Canadian  
16    Co-operative Credit Society has been that we have  
17    been making these demand loans over a period of six  
18    or seven years, and when an organization which had  
19    deposits with us indicated that it was in need of  
20    the funds which it had on deposit, we have never  
21    experienced any difficulty in going to the borrowing  
22    organization and say: This other organization requires  
23    the funds and we would like you to pay up. This has  
24    happened consistently over the last six or seven  
25    years in which we have been in operation.

26            COMMISSIONER MACKINTOSH: That should be the  
27    usual experience in respect to demand loans.

28            MR. JOHNSON: This is the experience we have  
29    had, and this I think will reasonably guarantee the  
30    liquidity of the Canadian Co-operative Credit Society and







1 its member organizations, following the pattern all  
2 the way up.

3 COMMISSIONER MACKINTOSH: I do not want to  
4 pursue this particularly in respect to the Canadian  
5 Co-operative Credit Society.

6 There is another little point I should like  
7 to complete. I would just like to state that there is  
8 another element that affects this pattern, and I would  
9 like you to understand that I am not questioning the  
10 solvency or liquidity of the movement, I am just trying  
11 to see what this trend might imply for the future since  
12 as a movement or as a system, you might say, you have  
13 gone through a period of very rapid growth. This  
14 influx of new funds always gives an additional liquidity,  
15 and you will encounter quite a different picture if  
16 the movement at some stage levels off so that there  
17 is not as rapid an increase in the total shares and  
18 deposits which you receive. In that event this whole  
19 question of success and pools of liquidity may be counted  
20 considerably more important or more immediate than it is  
21 at the present.

22 THE CHAIRMAN: We will now adjourn for ten  
23 minutes.

24 --- Short recess.

25 THE CHAIRMAN: We will now resume.

26 MR. JOHNSON: Mr. Chairman, may I make some  
27 further comments in regard to the question we were  
28 discussing a moment ago?

29 It has been drawn to my attention by my  
30 colleagues that in this liquidity picture the credit





1 union loans generally tend to be of a longer term  
2 nature than the loans made by the provincial centrals,  
3 and the loans that the provincial centrals make are  
4 generally on very short-term bases in that the credit  
5 unions in their fluctuations within their operations  
6 require loans only for short periods of time in order  
7 to take care of the requirements of their membership.  
8 This is substantially true I think in the operations  
9 of practically all the provincial centrals across  
10 Canada. There is some information in this regard in  
11 the operation of the Saskatchewan Co-operative Credit  
12 Society where we make term loans to co-operative organ-  
13 izations on a fairly long-term basis from capital funds.  
14 However, I find I have not got this reference with me,  
15 but in making up our report for the end June, 1962,  
16 we found that 55 per cent of our loan portfolio of  
17 approximately \$17 million in the Saskatchewan Co-operative  
18 Credit Society, is due and payable within the next 18  
19 months. We see this term shortening as we move up  
20 to the national level where we will be making very  
21 short-term loans to the various central organizations  
22 across Canada who are members of the Canadian Co-operative  
23 Credit Society to take care of their seasonal requirements.  
24 This we believe will assist in maintaining an adequate  
25 liquidity in the Credit Union Movement generally.  
26 Thank you Mr. Chairman.

27 COMMISSIONER MACKINTOSH: I have one or two  
28 questions in respect to what the brief has to say about  
29 growth. This appears in the third section.

30 MR. O'CONNELL: If I may, Mr. Chairman, I should







1 like to return very briefly to this matter of liquidity  
2 once again.

3 Just in closing I suppose there are various  
4 reasons for maintaining liquidity. One of them being  
5 the protection of the depositors against a run on the  
6 facilities of the organization. I think that there is  
7 a slight difference on emphasis in the attitude of the  
8 depositors of credit unions toward credit unions than  
9 the attitude of depositors perhaps in other organizations  
10 where they are not closely identified as members.

11 We feel, for instance, that it is not a valid  
12 comparison to compare the development of the credit  
13 union structure in such a way that one might think  
14 there is a reflection of the experience of the United  
15 States during the 1929-30 period, because we do feel  
16 that there would be a natural restraint as far as our  
17 members are concerned in their attitude toward this  
18 problem because they would not want to see their own  
19 institutions go into bankruptcy. This is a passing  
20 reference.

21 As far as liquidity is concerned, in our thinking  
22 we do not look upon the liquidity of credit unions as  
23 being liquidity of the Credit Union Movement. Where  
24 we assess the strength of our liquidity is with respect  
25 to each of the three tiers of the credit union; that is,  
26 the local credit union level, the central and the  
27 C.C.C.S. or national level. We feel that it is only  
28 proper that in assessing the credit union liquidity  
29 position, generally speaking, that it be assessed with  
30 relation to the functions that each of these different





1 tiers perform.

2 COMMISSIONER MACKINTOSH: That is just what  
3 I suggested.

4 MR. O'CONNELL: I am sorry. That is the view  
5 that we take rather than taking it as a big conglomeration  
6 of liquidity which would make it very difficult.

7 COMMISSIONER MACKINTOSH: May I make a correction.  
8 I was not referring to the 1929 crisis, but to a much  
9 earlier experience in the American banking system, and  
10 it was no more than an illustration of the type of  
11 tiered reserve system.

12 MR. O'CONNELL: Yes.

13 COMMISSIONER MACKINTOSH: In the matter of  
14 growth, is there any indication that one type of  
15 credit union community as against industrial is growing  
16 faster than another type?

17 MR. O'CONNELL: Mr. Ingram, have you anything  
18 you can say in that respect?

19 MR. INGRAM: It is very difficult to assess  
20 the kinds of growth in the different kinds of credit  
21 unions. Saskatchewan, for example, which has a  
22 predominantly rural kind of credit union growth has a  
23 very rapid growth there in terms of both members and  
24 assets as such.

25 On the other hand, in industrial Ontario there  
26 is a very substantial growth in the movement which is  
27 predominantly an industrial kind of development.

28 We have not got any absolute figures which  
29 would convince us one way or the other as to the  
30 predominant kind of growth in respect to the different



1 types of credit unions.

2 THE CHAIRMAN: In respect to that growth  
3 picture perhaps you could break it down to some extent.  
4 Is that a total growth in members in the whole movement  
5 in Saskatchewan or is there also a growth in the  
6 membership of the individual unions? That is, are there  
7 more unions being formed which add to the total growth  
8 or are also the individual unions growing in size?

9 MR. INGRAM: In the past three to four years  
10 the actual growth of new credit unions has levelled off  
11 somewhat. The growth of membership however has not.  
12 In other words, there are a great many credit unions  
13 now which are coming closer to their potential membership  
14 in terms of growth of members. Saskatchewan has perhaps  
15 the highest degree of over-all potential coverage of  
16 membership of any of the provinces in the Dominion  
17 of Canada.

18 THE CHAIRMAN: What do you mean by potential  
19 members?

20 MR. INGRAM: This is the organization and  
21 development of credit unions where the possibility of  
22 membership by the residents of Saskatchewan is possible.  
23 In other words we are not looking forward to the  
24 organization of too many more credit unions in Saskatchewan  
25 as much as in comparison to other provinces.

26 THE CHAIRMAN: But you are looking forward to  
27 further increases in the individual unions?

28 MR. INGRAM: That is right, in membership and  
29 assets, of course. But, many of the other provinces  
30 are far less developed in terms of the availability of







1 credit union services.

2 MR. O'CONNELL: As far as the future type  
3 of growth, of course that would be related to the general  
4 pattern of growth in the economy..

5 COMMISSIONER MACKINTOSH: Your impression is  
6 that it is simply a change in the economy and the type  
7 of association that people have in the different parts  
8 of the country.

9 COMMISSIONER BROWN: I wonder if we could  
10 bring this into focus in connection with the decrease  
11 in the number of credit unions in Canada in 1960. Could  
12 you give us any figures as to what types of credit  
13 unions disappeared and what types of credit unions  
14 took their places?

15 MR. INGRAM: For the most part the actual  
16 acknowledged decrease in the number of credit unions  
17 in Canada was primarily brought about by a concentration  
18 particularly in Ontario of liquidations which had been,  
19 or should have /processed many years before.

20 COMMISSIONER LEMAN: These were dormant?

21 MR. INGRAM: These were dormant, inactive,  
22 unreporting kinds of credit unions. They simply sat  
23 in a dormant stage anywhere from two to five or six  
24 years. They were not operative at all but for purposes  
25 of official reports and statistics were never cleaned  
26 off the books.

27 COMMISSIONER BROWN: Somebody decided to take  
28 this loss all in one year?

29 MR. INGRAM: Well, it was only a loss in terms  
30 of statistics, that is right. So the movement itself





1 as such sort of cleaned house a little bit and got rid  
2 of some of this deadwood in a statistical sense by  
3 getting themselves up to date in terms of active  
4 reporting and progressive credit unions. For the most  
5 part these were industrial credit unions and I think  
6 as was mentioned before a substantial number of these  
7 were caused by the closing of plants and diversification  
8 of industries; moving a plant from one locality to  
9 another, which automatically in most cases caused  
10 the credit union to dissolve or to be dissolved, unless  
11 there was some other kind of community credit union to  
12 which those same members could transfer their membership.  
13 For the most part this was caused by the closing down  
14 or dislocation of industry within the movement.

15 In a very relatively few cases we found a lack  
16 of interest after a charter was granted. In a few  
17 cases the credit union literally never got off the ground,  
18 but these were very few.

19 COMMISSIONER BROWN: You have not got any  
20 statistics showing the growth of credit unions and the  
21 growth of members divided into the different types  
22 of credit unions?

23 MR. INGRAM: Yes; not in the membership sense,  
24 but in this same yearbook at page 40 there is an  
25 indication for you of the distribution of credit unions  
26 by classification. This is simply a breakdown of the  
27 kinds of credit union groups within the movement in  
28 both the United States and Canada. We have not got  
29 any relevant statistics as to the total memberships  
30 in each of these groups except on this basis here.





1 COMMISSIONER BROWN: Nor have you figures in  
2 respect to trends?

3 MR. INGRAM: No, we have not got that.

4 MR. JOHNSON: I have some figures in respect  
5 to trends here, Mr. Chairman, that may be useful to the  
6 Commission but only for Saskatchewan.

7 COMMISSIONER BROWN: I think we have those  
8 already.

9 MR. JOHNSON: You have those already.

10 COMMISSIONER MACKINTOSH: You gave a substantial  
11 list of reasons for the growth in this movement. I think  
12 it is fairly set out. It is evident that the credit  
13 union has met a need. It is also evident as it is  
14 in the case of most organizations that succeed in rapid  
15 expansion, that you were fortunate in the period when  
16 you started and the needs for consumer loans and personal  
17 loans developed very rapidly over that period and that  
18 you were able in the areas in which you operated to  
19 respond to this need.

20 I think perhaps there might be <sup>some</sup> implication of  
21 some unfair comparison. You make some point of the fact  
22 that the banks have gone into this field but only with  
23 a guarantee. Actually the development of this type  
24 of legislation preceded any significant development of  
25 the Credit Union Movement.

26 Home improvement plan guarantees in Canada  
27 started in 1938 and they were specifically to get  
28 something new started. A similar plan had been in  
29 operation in the United States for two, three or four  
30 years.





1 MR. O'CONNELL: The major exception in that  
2 regard might be in respect to farm improvement and  
3 fishermen loans.

4 COMMISSIONER MACKINTOSH: Well, that was  
5 initiated in the same way and it was that act rather  
6 than the Credit Union Movement at that time that took  
7 the farm equipment note collector off the western  
8 farms.

9 MR. McMASTER: I think, Mr. Mackintosh, with  
10 regard to the Fishermen loans it would be more true  
11 that the credit union had stepped in there.

12 COMMISSIONER MACKINTOSH: Yes, I think you  
13 can argue some priority there in regard to Fishermen  
14 loans.

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1 MR. McMASTER: I think this reports in part  
2 the fact that at the time of need, therefore, the  
3 fishermen had built up a large enough credit union  
4 that they would be able to meet that. At the beginning  
5 of the farm loan assistance the credit unions were  
6 largest at their beginning in Saskatchewan, for instance,  
7 or in the prairies.

8 COMMISSIONER MACKINTOSH: There were quite  
9 a number of organizations following the initiation  
10 of this which learned the effectiveness of schedules  
11 of systematic repayment?

12 MR. McMASTER: Yes.

13 COMMISSIONER MACKINTOSH: It has been a  
14 very important thing both in the credit unions and  
15 in the banks and all financial institutions.

16 Now, you have an argument in paragraph 62  
17 on the terms of the question of taxation. This I  
18 do not consider, myself, to be a very important thing,  
19 but your contention that freedom from income taxation  
20 is not an advantage at the moment I do not find con-  
21 vincing.

22 I am quite willing to accept the fact that  
23 a co-operative organization which has no income apart  
24 from its members, ought not to be taxed; I have no  
25 objection to that, but the fact that your members  
26 are associated in a credit union for certain purposes  
27 which, if they associated themselves with a private  
28 corporation, would attract taxation is a factor in  
29 promoting that kind of association. I do not suggest  
30 that it is an undesirable factor, but I think you are







1 going too far in saying that it is not a factor. It  
2 is not a factor as far as the credit union is concerned  
3 because you eliminate that by defining it as a  
4 co-operative, but for credit union, plus its members  
5 in the sense of the totality of its members, it is  
6 a factor.

7 Now, the general rule I understand in  
8 taxation is that co-operatives are taxable on retained  
9 income, income which they do not distribute to their  
10 members but retain as a reserve. I should think  
11 they might become taxable in respect of any activity  
12 which was not restricted to members, whether through  
13 a union or through a subsidiary organization. There  
14 your co-operative is departing to some extent from  
15 the strict rule; namely, that it is not a separate  
16 organization, it has its members working together,  
17 but if they derive income from non-members, then  
18 they take on a somewhat different complexion.

19 All I am concerned with, and I personally  
20 have no suggestion that the taxation picture should  
21 be different from what it is now, but I think you  
22 are pressing this argument a little too far, because  
23 people associated in credit unions can do certain  
24 things without attracting any additional taxation which,  
25 if they did in other ways, would attract taxation.

26 MR. GOUNDREY: If I may speak to that.  
27 This may be a question of interpretation. In the  
28 evidence before this Commission it implicitly appeared  
29 to be in some sense an unfair advantage which the  
30 movement has.





1 COMMISSIONER MACKINTOSH: I am not urging  
2 it as such.

3 MR. GOUNDREY: And our main point I think  
4 in this section was, in effect, to argue that this  
5 is not unfair in the sense that it is open or that  
6 it is not open to other groups in the first place or,  
7 secondly, that in any sense it is a fundamental reason  
8 for growth or success of the movement.

9 Now, I got the feeling that this is perhaps  
10 over-emphasized here, and we would like to point out,  
11 I think, that it would be perhaps serious if the Act  
12 was changed; not serious in terms of what we are doing  
13 as a movement or in the operations of the credit  
14 unions, but it would impose certain changes in the  
15 operations which might be made but, as a national  
16 organization thinking about the future of the movement,  
17 there is a possibility that taxation would lead to  
18 dissipation of reserves. In the view of the ---

19 COMMISSIONER LEMAN: The other side cannot  
20 hear you, I do not believe.

21 MR. GOUNDREY: I am sorry. There is a  
22 possibility, you see, that taxation would lead to the  
23 dissipation of reserves. We are not sure that this  
24 is in the interests of the membership and, in any  
25 event -- and this I think is in the brief and in what  
26 Mr. O'Connell has said earlier -- in an organization  
27 such as this and one which represents a large number  
28 of autonomous groups who make their own decisions and  
29 sometimes you worry in the case of individual credit  
30 unions if they are maintaining adequate reserves, but







1 anything which would lead to the dissipation of reserves  
2 would not really be very desirable, we think, so we  
3 would not like to concede this argument merely by  
4 default. We agree that this is not likely to make  
5 much difference to our operations except in this one  
6 regard. It may lead to the dissipation of reserves  
7 and in view of the nature of the organization itself  
8 this could be a very, very serious disability for the  
9 movement and without making much change in our  
10 competitive advantage, if you like, to call it that  
11 vis-a-vis profit oriented operations.

12 COMMISSIONER MACKINTOSH: I will not  
13 press this too far, but we spent yesterday with the  
14 Investment Dealers' Association and I think that they  
15 would repeat almost exactly what you say; that a  
16 corporation finds great difficulty in generating  
17 enough capital because of the dissipation of  
18 their reserves by taxation.

19 MR. GOUNDREY: We are not generating capital  
20 as a movement; this is not the reason why we are  
21 concerned with it. Our reason is more in connection  
22 with protection and perhaps the misguided optimism  
23 of the autonomous units, if you want to call them that.

24 COMMISSIONER MACKINTOSH: That is parallel  
25 to a corporate taxpayer; he is given certain allowances  
26 in respect of reserves.

27 COMMISSIONER BROWN: Perhaps you would be  
28 prepared to outline just how your operations would  
29 change or could change to avoid the matter of taxation,  
30 if taxation were imposed, so that we can have it for





1 the record.

2 MR. GOUNDREY: Well, I suppose the basic  
3 position is that we operate at approximately cost  
4 and except for the protection of the interests of  
5 depositors and liquidity our reserves are minimal  
6 in this sense. There is little in the way of re-  
7 tained earnings even over a year, and if we were going  
8 to have this sort of thing considered as income tax,  
9 we would have to adjust our deposit rates and lending  
10 rates in such a way as to completely eliminate any  
11 spread between the two. This makes a difficult  
12 budgeting procedure.

13 Some of the organizations are coming  
14 pretty close to breaking even for the year now, and  
15 when you start to take on spreads of less than one-  
16 quarter of one per cent, this becomes very, very fine  
17 and you could end up by not operating at cost; in  
18 fact, paying out more to the depositors than the funds  
19 are earning for the members' needs, and I think it  
20 would cause difficulties of one sort or another in  
21 terms of bookkeeping.

22 This may not be significant, we would not  
23 know; you would not know until you tried it, but in  
24 the face of this uncertainty and in the face of a  
25 popular movement in which you are thinking of changing  
26 the views under which they operate, you generate  
27 a lot of uncertainty if regulations and acts change  
28 and everyone is aware of this, and this is even greater  
29 when you deal with a large number of small units who  
30 are relatively independent.





1                   There is a good deal to be said for the  
2   status quo in terms of what people have come to expect,  
3   because it takes a long time for changes to move down  
4   to the bottom.     We really do not know what this would  
5   mean to our operations, but we are a little afraid that  
6   it might lead to a substantial amount of change, either  
7   in procedures or things of this sort, for no purpose.

8                   MR. JOHNSON: It is very difficult to discuss  
9   what might happen within the credit union movement  
10   unless we knew the type of tax which we might be subject  
11   to; it does make a good deal of difference.

12                  THE CHAIRMAN: The Commission is not thinking  
13   about any recommendation, it is merely inquiring; it  
14   would like to understand the situation.

15                  MR. GOUNDREY: This will explain the point  
16   which I think is at the back of your mind; while we  
17   maintain it is no great competitive advantage, it  
18   appears we do not want to see this upset.   The two  
19   reasons are quite different.

20                  THE CHAIRMAN: I think you have made your  
21   point.

22                  COMMISSIONER LEMAN: I would like to ask you  
23   a couple of questions still in this growth factor.  
24   What do you look to for the future? You imply in  
25   some provinces you feel that geographically, at least,  
26   there has been practically saturation in terms of the  
27   present population in those provinces, et cetera, and  
28   then it would be units that would grow and some units  
29   founded, and in other provinces you put this the other  
30   way around, but do you look for a continuation of about







1 the rate of growth which you had in the last ten or  
2 fifteen years?

3 MR.McMASTER: I think in the brief at page  
4 152 we deal to some extent with this question of the  
5 future. It is paragraph 327 and following. I recognize  
6 the fact that it is difficult to calculate and control  
7 the limiting factors in the development of credit  
8 unions on the basis of the limited statistics and that  
9 it is difficult to project that into the future and  
10 much depends on the confidence of the province of  
11 modest means who is interested in the credit union  
12 and much depends upon his needs and much depends upon  
13 the way in which other institutions meet these things  
14 as to how that development may take place.

15 If one of the leagues is quite optimistic  
16 they might get everybody in the province in the credit  
17 union organization, but I think we have to be realistic  
18 and recognize that there are limiting factors, the  
19 exact extent of which and where you can project it to,  
20 I am unable to say at this time.

21 COMMISSIONER LEMAN: What strikes me by looking  
22 at the Year Book here, very roughly -- I do not carry  
23 a lot of statistics in my mind -- but it seems to me  
24 as though you already have about 15 per cent of the  
25 Canadian population in the movement. Now, if we  
26 accept the statistics as including Quebec -- these  
27 statistics in the Year Book do not include this,  
28 whereas your own statistics are for the affiliated  
29 credit unions only, but if we include those you have  
30 already worked up to about 15 per cent of the Canadian





1 population, do you agree with that, whereas in the  
2 States it has been explained to us this morning that  
3 the character of the union is different in the sense  
4 that they are mostly industrial types of unions and  
5 not community types, and they seemed to have reached  
6 only 7 per cent of the population.

7 Now, it is hard to predict what is going  
8 to happen; I am not asking you to make a forecast on  
9 how your membership and the savings which you attract  
10 will grow in the future years, it will depend on  
11 so many factors that you could not tell, but would  
12 you have an idea of how far you think that might go?  
13 Do you see the movement having, say, 50 per cent  
14 of the population as members?

15 MR.O'CONNELL: It is very difficult to place  
16 any exact figure on it, as you suggest yourself, Mr.  
17 Leman. There is one thing for certain, that the 15 per  
18 cent figure, although better than American experience,  
19 is certainly not the end of our sights as far as  
20 potential membership is concerned.

21 There are limiting factors on the growth  
22 and the same applies, perhaps, to any institution of  
23 any type. We know there is a limiting factor because  
24 there are a certain number of people in the country  
25 who will not joint a credit union under any circumstances;  
26 that just does not fit their scheme of living. We  
27 have to recognize that. That factor may be because of  
28 economic circumstances or it may be because the particular  
29 philosophy we espouse in the movement is something which  
30 is not in harmony with their own view of life. Then, as







1 far as projections ---

2 COMMISSIONER LEMAN: You may have a lot of  
3 converts, though.

4 MR. O'CONNELL: We are always endeavouring  
5 to do a little bit of work no matter where we may move  
6 along that line, but we still realize there are barriers  
7 there.

8 In certain areas we do not feel that we  
9 have done a reasonably good job at all; there are certain  
10 of our provinces which need a great deal more attention  
11 and it is there that we look for growth. I do not  
12 like to give the names because it may be a personal  
13 reflection which may not be appreciated, but still and  
14 all the figures still show where these places may be.  
15 We expect that there the credit union growth will tend  
16 to accelerate, but there are other places and other  
17 communities where a credit union growth, as far as  
18 credit union members is concerned, appears to be  
19 stagnant, but if you want something to keep your eye  
20 on I do not think I would have any hesitation -- and  
21 here I am only speaking for myself and this is not  
22 a credit union prediction -- I would say there is room  
23 for at least 35 to 40 per cent of the people of the  
24 country to find that the credit union can be of service  
25 to them in some way; maybe not totally, but it would  
26 be of service for them sufficiently to be interested  
27 to become members and participate to the extent that  
28 they wish to participate.

29  
30





1 MR. GOUNDREY: If I could add one point to that,  
2 even if you got 20, 25, 30 or 35 per cent of the  
3 population as members this does not mean the credit  
4 union would be providing all of their financial services.  
5 Even within the movement some people -- in other words,  
6 we would not hold that much of the economy at ransom.

7 COMMISSIONER LEMAN: Right. We are going to  
8 hear from the Caisse Populaire later. We already have  
9 their brief and it appears as though in the Province  
10 of Quebec among the French Canadian population they  
11 have already worked up to about 29 per cent average,  
12 and in some areas higher than that. That does not prove  
13 that all the savings of their members are in the credit  
14 union. That is why I was asking you a little earlier  
15 if you thought there was a pattern of the percentage  
16 of members' savings which are in the movement. I suppose  
17 that would vary a great deal from the point of view  
18 of the percentage of the population that would be in  
19 the credit unions for a given area. The staff here, I  
20 think through contact with your organization, have given  
21 us a bit of a tabulation based on incomplete statistics;  
22 they are only very broad approximations, showing there  
23 is a small percentage of the total share distribution  
24 where there are accounts of \$5,000 and over; and that  
25 is a small percentage of it. But you were trying to  
26 be a realist, which is a good thing, but if you were  
27 an optimist what would you say in your view of the  
28 concept of marshalling the savings of the people through  
29 credit unions as being a good concept? If you believe  
30 in it there is no reason to be certain that a lot of





1 other people won't get to believe in it too as the  
2 years go by. So, let us talk theory for a minute.  
3 If it is the ideal way of marshalling the savings of  
4 the people, why wouldn't it be an ideal way of  
5 marshalling all the savings of all the people -- or  
6 would it?

7 MR. O'CONNELL: First of all, I doubt whether  
8 there is any ideal manner of doing anything so that  
9 the totality of the nation is covered, but as far  
10 as marshalling all of the savings of the country through  
11 credit unions is concerned I do not think that is either  
12 possible and perhaps it may not even be desirable,  
13 because there are many other financial operations in  
14 the country which lie outside of the scope of the  
15 credit union activity. Personal reasons, perhaps  
16 maybe. You could have the residual of personal saving  
17 in the credit operation and give good service to them,  
18 but the credit unions handle all personal relationships.  
19 Even there there are the barriers which we mentioned  
20 before: People do not want to come in; the requirements  
21 of membership in some places are difficult. The credit  
22 union idea does not appeal to them, which I already  
23 mentioned. Also there is the problem associated with  
24 savings itself, and the difficulty of attracting savings --  
25 this is slightly out of context -- into the credit  
26 union organization, and there is the difficulty that  
27 any savings institution has in getting that money in.  
28 I don't think we can think of ourselves, even most  
29 optimistically, as being an institution which can serve  
30 the people totally. That is almost even against my







own philosophy of independence. I don't like to see that many thinking in that way.

COMMISSIONER LEMAN: You would not necessarily have to destroy the concept of the autonomy in locals.

MR. O'CONNELL: No, I was not thinking of that. I was thinking of all our people in the country doing one activity in the same way, co-operative as I am.

COMMISSIONER LEMAN: But you can become an intermediary. In other words, among the shareholders on the books of corporations they would find credit unions -- sort of an intermediary.

MR. O'CONNELL: Oh, no.

COMMISSIONER LEMAN: You see, Dr. Mackintosh was looking at the other possibility that there would be at some time, for reasons that cannot be foreseen now, a withdrawal from the movement that would be either sudden or gradual. I am looking at the other possible picture. Suppose that people do rush to you with their savings: You can't stop them, can you? You would not do anything to try to stop them?

MR. O'CONNELL: I don't think we would, but I could not picture your most optimistic projection any more than I can allow the idea of Dr. Mackintosh's most pessimistic projection to enter into my thinking.

COMMISSIONER LEMAN: Well, I don't want to belabour the point. I wondered if you had an idea. You say you don't think it would be desirable to marshal a very, very high percentage of the total savings of the people. You have no idea where the area of





1 desirability stops, do you -- the level of it?

2 MR. O'CONNELL: No hard and fast line where  
3 that would stop. It might change as time went on.

4 COMMISSIONER BROWN: I have been jotting down  
5 some figures and I would like your comments on them.  
6 The personal savings accounts in the chartered banks  
7 are roughly 7 billion 600 million; and the Quebec  
8 banks, roughly 300 million; trust and loan companies,  
9 roughly 600 million; credit unions, using round figures,  
10 1 billion 4. This comes to just under 10 billion.  
11 If you have 1 billion 4 out of 10 billion, that is  
12 running just about in line with your percentage of the  
13 population, isn't?

14 MR. O'CONNELL: Yes.

15 COMMISSIONER BROWN: In other words, it would  
16 indicate that you are getting a share based on membership?

17 MR. GOUNDREY: Would you like to pose that  
18 question again. That is a very wide curve.

19 COMMISSIONER BROWN: We were talking about  
20 your position in the savings of the community.

21 M. GOUNDREY: In the individual personal  
22 savings?

23 COMMISSIONER BROWN: That is right; because  
24 that is the field in which you are, isn't it?

25 MR. GOUNDREY: Yes, but this may not be the  
26 large part of the savings. There may be lots of  
27 savings within the community which are not included in  
28 this.

29 COMMISSIONER BROWN: Can you suggest any other  
30 large source of dollar personal savings?







1 MR. GOUNDREY: I didn't get your figures.

2 COMMISSIONER BROWN: Dollar savings, not invest-  
3 ment savings. I am thinking of withdrawal personal  
4 savings.

5 MR. GOUNDREY: One of the problems here which  
6 we face is that our percentage probably of total savings  
7 has been increasing. We started with a pretty small  
8 base, but it has been increasing quite sharply over  
9 this period. I am not sure that you can just make  
10 this a one to one relationship with membership because  
11 the group of people who deal with credit unions have  
12 become substantial savers for perhaps the first time  
13 in many, many years. We noticed this in other ways  
14 as well. Lots of people during the war became bondholders  
15 and never held a bond before in their lives. In the  
16 prosperity during the postwar period a large number  
17 of people of modest means -- workers and the rest -- have  
18 become savers and significant savers for the first time.  
19 That very group who have become savers in a significant  
20 way for the first time are the very group we appeal  
21 to.

22 COMMISSIONER BROWN: It has been drawn to my  
23 attention I omitted one large pool and that was Canada  
24 savings bonds; that is another pool of withdrawal  
25 personal savings.

26 MR. GOUNDREY: Yes, this is a pretty substantial  
27 pool.

28 COMMISSIONER BROWN: It is roughly four billion.

29 MR. GOUNDREY: Well, it is about 40 per cent  
30 of what you were quoting to us.





1 MR. O'CONNELL: Then there is the pool of  
2 personal savings associated with pension plans and things  
3 of that type.

4 COMMISSIONER BROWN: I was not putting those  
5 in the same category because they are not withdrawable  
6 on the same basis.

7 MR. GOUNDREY: This is true, but the total  
8 savings in the economy have also changed their nature  
9 in this period. We have had the development of pension  
10 plans and insurance to the extent that we have in  
11 Canada very substantial insurers.

12 COMMISSIONER BROWN: You have been trying to  
13 bring out the point that the credit union movement  
14 as such has become quite an element in numbers of  
15 individuals and in volume compared with the total,  
16 and I just wanted to get your comments.

17 MR. O'CONNELL: There may have taken place a  
18 shifting in the saving habits of the Canadian community  
19 so that where formerly the personal withdrawable  
20 savings figures may have been high, the existence of  
21 other institutions and increased pension plans and things  
22 of that type may have -- I don't know that I am knowledgeable  
23 on this question -- may have shifted because of substitution  
24 of savings which formerly went into these other types  
25 of savings which we have in the system. So, although the  
26 credit union now is obtaining a greater share of the  
27 deposit withdrawable savings, still in all there might  
28 be an error in interpreting it if it is interpreted  
29 on the basis of older established habits going back  
30 over a number of years.





1 COMMISSIONER BROWN: I gather you have not  
2 made any studies on this to see whether you have gained  
3 on your position relative to the full picture?

4 MR. McMASTER: In volume 2 of the brief, which  
5 has the schedules, I think there is in schedule 3 on  
6 page 5 a chart showing the relative growth in personal  
7 savings of the chartered banks, the credit unions and  
8 trust companies, which gives some picture of that,  
9 Mr. Brown.

10 THE CHAIRMAN: What page is that?

11 MR. McMASTER: Page 5 of schedule 3. You need  
12 to turn to "Schedule 3" in the top corner and you will  
13 find "page 5" beneath it. The figures in support of  
14 that chart follow on the following page, page 6.

15 COMMISSIONER LEMAN: I am looking also at page 2  
16 of that schedule.

17 MR. McMASTER: Well, the submission we make  
18 actually, Mr. Leman, is that the chart on page 2 gives  
19 a peculiar comparison. It is valid in one respect, but,  
20 as we say in the brief, it is invalid in this respect,  
21 that what you are comparing is like the growth of a baby  
22 with the growth of a grown boy. In the earlier stages  
23 you get a very rapid period of growth, and when you see  
24 it in its proper perspective we submit it is shown  
25 properly in its perspective on page 5 of that schedule  
26 rather than on page 2.

27 COMMISSIONER GIBSON: Well, the chart on page 5 --  
28 I understand that would show the rate of growth and  
29 still maintain the comparable sizes.

30 MR. GOUNDREY: Mr. Gibson, this would not be





1 quite true because there is a difference in the ratio  
2 of credit union savings in 1951 with banks in 1951.  
3 In other words, 1951-54 is a period when the rate of  
4 growths may have been quite different. So, when we  
5 take the figures back a little further to get a little  
6 more perspective, even ratio charts will not necessarily  
7 show this rapid increase. In other words, 1954 is not  
8 a good year to begin a ratio chart.

9 COMMISSIONER GIBSON: But the ratio chart  
10 does show comparable rates of growth.

11 MR. GOUNDREY: Yes, but this is not a question  
12 of the ratio chart as opposed to an ordinary arithmetic  
13 scale.

14 MR. LEMAN: Are you suggesting Financial  
15 Post was trying to prove something you don't quite  
16 subscribe to?

17 MR. GOUNDREY: I think the actual statement  
18 that Mr. McMaster made was that there was nothing wrong  
19 with the figures. If you start in 1954, this is fine,  
20 but in all of these cases there is a question of  
21 selecting your beginning year.

22 COMMISSIONER LEMAN: You are just pointing  
23 out that charts can be dangerous things to play with.

24 MR. GOUNDREY: We didn't push this back  
25 any further than 1951.

26 COMMISSIONER GIBSON: I was saying if you  
27 just put the dollar figures on a ratio scale you would  
28 show proper comparative rates of growth and you would  
29 still have the right figures on there so you didn't  
30 get this odd impression.



1 MR. GOUNDREY: That is right. In other words,  
2 you can use the ratio scale instead of the index,  
3 which is the type of ratio scale we used on page 3.  
4 It is just the selection of 1954. Had you selected  
5 1959 and plotted rates of growth of trust companies  
6 against credit unions, the trust companies would have  
7 been growing at a furious rate. It is a question of  
8 where you start.

9 COMMISSIONER BROWN: In all these charts  
10 they leave out the Canada Savings bonds?

11 MR. GOUNDREY: Yes -- well ---

12 COMMISSIONER LEMAN: I think this point is  
13 important: God forbid we have a Royal Commission  
14 on Banking and Finance every two years, and we have  
15 to take a fairly long-term view, and in asking you  
16 how far the movement can go, how far is it desirable  
17 for it to go, I have in mind that it could become a  
18 special factor some day, that the job it would have  
19 to do towards not only marshalling the savings of the  
20 people and attracting them <sup>to</sup> themselves, but the making  
21 use of those funds might have to be changed because  
22 you work within an economy that needs funds for various  
23 purposes -- not only consumer loans. There has to  
24 be a development of capital assets in the country etc.  
25 So, in trying to figure out how far it is desirable  
26 to have it grow in the form of credit union savings,  
27 I am wondering at what point you believe it may begin  
28 to affect the resources available for other purposes  
29 that you are not equipped to handle?

30 MR. O'CONNELL: In other words, the difficulty







1 being, or the thought in your mind being, that if we  
2 grow to a certain large point that our growth might  
3 be detrimental to the economy generally speaking?

4 COMMISSIONER LEMAN: Yes, unless the character  
5 and the function of the credit unions should change.  
6 It would have to change then.

7 MR. O'CONNELL: Which would mean, to answer  
8 that properly, I would have to have a little bit more  
9 knowledge, myself, of how far the credit union operation --  
10 we will say it is fundamentally short-term loaning for  
11 consumption purposes -- how far that type of activity  
12 in the economy results in a proper allocation of  
13 resources of the economy. In so far as that would go,  
14 that part of our operations we could expand theoretically  
15 up to that point without hurting the economy in any  
16 way.

17 COMMISSIONER LEMAN: You would only hurt the  
18 finance companies.

19 MR. O'CONNELL: We would only hurt certain  
20 companies, yes, but not the economy generally speaking.  
21 Going beyond that point we would have to have some  
22 measure of how the economy does work efficiently --  
23 how are resources allocated efficiently. I am certain  
24 I cannot answer that question. Maybe Professor Goundrey  
25 would like to take a little push at it to see what his  
26 thinking is.

27 COMMISSIONER LEMAN: It is an ideal type of  
28 question for an economist.

29 MR. O'CONNELL: Yes. You are establishing  
30 the efficiency of the pricing system, I presume?





1 COMMISSIONER LEMAN: Yes, allocation of  
2 resources.

3 MR. O'CONNELL: Through the perfectly  
4 functioning price system or through the imperfectly  
5 functioning price system? These have two sets of  
6 conditions.

7 COMMISSIONER LEMAN: Well, you might give  
8 me a forecast as to how perfectly the price system  
9 may develop in Canada.

10 MR. GOUNDREY: This would be easier after  
11 we see your report.

12 MR. GLEN: If I might offer a little diversion  
13 while the economist is gathering his wits, from the  
14 point of view of a person who is an elected officer  
15 of the credit union movement, when you ask me how  
16 far I think the movement may go I would call again  
17 to your attention that we are dealing with a large  
18 number of autonomous organizations that are operated  
19 by people elected by the membership. It has been  
20 my experience that the growth of the individual credit  
21 union depends almost directly on the extent to which  
22 these elected officers of these credit unions want  
23 them to grow. In my own area we have had credit  
24 unions whose officers are quite content -- they are  
25 busy -- to leave the operation right where it is. A  
26 small growth is all right or no growth at all, and in  
27 some cases there has been a decline in growth. In  
28 other words, you will find a group of officers who  
29 feel the organization should be expanded until it has  
30 its full quota of membership. This is a very doubtful





1 thing. It is a pattern I have never been able to  
2 determine.

3 Again it has been my experience that  
4 encouraging savings on the part of members -- and I  
5 am dealing with working class people who have had  
6 very little previous history of savings -- that it  
7 is almost a matter of psychology. I can give you  
8 what we consider to be the magic figure. It is \$100.  
9 To get a member of a credit union with no previous  
10 history of conscious savings to save up his first  
11 \$100 is an extremely difficult sort of thing, and  
12 you have to hammer at him all the time. You are  
13 continually saying: "How about another \$1 worth of  
14 shares?" et cetera. I have examined this to satisfy  
15 myself on the matter. When he may have reached that  
16 \$100 the member has become conscious that he has at  
17 last created some savings for himself and he will  
18 add without any further prodding on the part of the  
19 officers of the credit union. So when it comes to  
20 this business of how far we go this depends again  
21 upon the officers, the members, who are elected to  
22 run the affairs of the credit union and this is the  
23 only valid answer I can give.

24 MR. GOUNDREY: If I can return to your  
25 earlier point for a moment --

26 COMMISSIONER LEMAN: First of all, you admit  
27 it is an important point from the point of view of  
28 the Commission?

29 MR. GOUNDREY: I think it is a fundamental  
30 point. In the brief the Association has spent some







time discussing this problem and actually worrying about it. I think we have to go back to the original concept in order to understand how the credit union allocates resources. Because it is autonomous we begin with the idea that the individual savings will be available to meet individual needs. Now, there is a movement here but there is also a market. You find that as credit unions develop they change the nature of their loans. Perhaps even the nature of the savings change as we have just had demonstrated. People's habits change and the rest but the fact remains that at whatever rate the local credit union grows the extent to which individuals are prepared to borrow money is related to their particular needs or to their particular wants which is, of course, more correct.

In the case of the credit union the needs and wants tend to be very closely related. Generally speaking the price system exists for only one purpose and that is to allocate the resources according to people's wants. To the extent then that these people do have control of their savings or to use them to look after their wants, they are available -- one of the things which the price system normally performs. But the price system always sits there and if at any time the wants of these people are not sufficient, they are not prepared to pay a sufficient amount to satisfy their wants, you will end up with more of the wants in the non-credit union sector, more of the wants of non-members having sufficient priority and the relative price will make members think twice about the extent



of it.

In looking after their fellow-members' needs they are prepared to take a personal reduction in the rates of return. There should be a split here because it is a question of looking after needs as well as wants, but within the credit union movement this will only go so far, and this is why I think, going back to an earlier point, that as people become wealthier, as they accumulate savings, as the needs they are satisfied with in the credit union movement become less and less urgent, some of the strength of the credit union movement disappears and some of those on the margin start to go into the outside type of savings. I would fully expect, for many individuals, as their savings accumulate and as the level of well-being of the members of the union increase that at the margin funds will start to flow out into other activities if they are prepared to pay a large enough additional premium for the money to compensate for the difference between our needs-wants relationship and just the wants relationship. So I think there is an automatic damper on the rate of growth.

One of the criticisms which is frequently levelled against the price system, the criticism which gives rise to the sort of policy decision which we trust you people are going to make, is that the price system does look after wants and if it is really functioning it looks after wants through sale. It pays no attention to needs. It is crucial that this be understood. The price system has nothing to do with needs except to the extent that needs are reflected as





1 wants and within the credit union movement you try to  
2 bring that spread between needs and wants closer together  
3 and you look after needs as far as possible. Needs  
4 and wants are limited and if you are sufficiently well  
5 off they are very close together but for many people  
6 who are in the credit union movement there is a big  
7 difference between a want which they can actually make  
8 active in the market and their needs, and as the credit  
9 union movement satisfies needs and reaches the stage  
10 at which individual members' wants and needs are  
11 identical, then the credit union movement will bump  
12 into the damper of the price system. If this does not  
13 happen before you have built a sufficient economy then  
14 this means that the price system in catering to wants  
15 instead of needs has not been very suitable and has  
16 not been a good way of allocating resources.

17 COMMISSIONER LEMAN: Then, despite the  
18 fact that the number of members in the credit union  
19 movement may well increase a good deal from what it  
20 is today, it will at some point stop, or practically  
21 stop, all the decisions of the majority of those  
22 members?

23 MR. GOUNDREY: Yes, this is an argument  
24 by analogy, of course, because individuals are in the  
25 same position. That is, we as individuals make  
26 charitable contributions to help and look after someone's  
27 needs who does not have the ability to have the market  
28 look after his needs. We do this all the time. Our  
29 ability to do this depends upon how well off we are  
30 but there is a limit to this. We do it individually





1 and in doing so we individuals allow the price system  
2 to operate completely. The credit union movement,  
3 however, because of this cohesion between people who  
4 look to each other, try to look after each other's  
5 needs it is different because you know when a person's  
6 real need has been satisfied, you know it because you  
7 know him and in these circumstances you, as an  
8 individual, will not take a reduction in your rate of  
9 return on your savings to cater to needs which you  
10 know very well do not exist. They are satisfied,  
11 they are looked after.

12 COMMISSIONER LEMAN: Of course we have  
13 been told in some of the provinces -- I do not know if  
14 we have asked this question in other provinces --  
15 but we have been told that a very, very large group  
16 of members are share owners and never borrow from  
17 their unions and they may have, we will say, \$100 or  
18 \$200 in the credit union and they have it there  
19 apparently from this sense of co-operation and helping  
20 their neighbour et cetera. Would you say there is  
21 a definite limit to how much a person who does not  
22 feel he wants to borrow but just keep that \$100 or  
23 \$200 as a sort of insurance -- would you say approximately  
24 what proportion of your members might be in that category?

25 MR. GOUNDREY: Well, this is another and  
26 very important feature of the credit union movement,  
27 that the deposits and shares of the individual member  
28 do not represent the value of the credit union to the  
29 man. The fact that he is known, the fact that particularly  
30 in the autonomous credit union -- we are not talking about



1 centrals at the moment -- in the autonomous credit union  
2 personal knowledge of the borrower is a very important  
3 part of the collateral on your loan. In these circum-  
4 stances the knowledge itself is a substitute for assets.  
5 So that membership in the credit union is a substitute  
6 for having liquid assets. In the small integrated  
7 credit union the member has substitution for assets  
8 through membership without having to make deposits.  
9 If I have \$100 deposited in the credit union and I  
10 am well known and well liked -- and it is a good chance  
11 these are people you usually associate with daily  
12 and weekly -- I will borrow \$500 in the event of any  
13 emergency if I have the need.

14 In other types of institution where perhaps  
15 the decision making units are not closely associated  
16 with the people who make the loans you have to have  
17 something else for collateral. So you actually reduce  
18 the amount sometimes which has to be maintained as  
19 shares. There is a real gain to the member of the  
20 union credit/in terms of what he can do with his money.  
21 He does not have to immobilize his funds. I think  
22 this is a point we have made in our brief. Many people  
23 in the producer group work on a cash inflow-cash outflow  
24 basis.

25 In my own youth in the west on the farm  
26 this was exactly the position. If you had a crop you  
27 got a bit of cash in and you saved a bit of that money.  
28 You had to. There was always the possibility of tonsils  
29 having to be removed or school books or a car breaking  
30 down, if you had a car, et cetera. This meant that the







1 producer out of his cash inflow could not reinvest  
2 himself without going through some of those funds.  
3 Consider, for example, a farmer who has \$100. If  
4 he needs to he can take it and pay that \$100 for fencing  
5 his property. He goes out and buys \$100 worth of  
6 fence posts and puts in another \$200 in labour. He  
7 actually invests \$300 in terms of his labour and  
8 the wire and fence posts he bought but that shows  
9 up as only \$100 worth of fence posts and wire  
10 from the local fencing agent. This he could not  
11 have done if his wife was sick or his children needed  
12 something. So his membership itself changes the  
13 flow of reserve both through savings and the market  
14 and changes the real value of the investment as  
15 opposed to the market value. I think if you forget  
16 this in looking at the operations of the credit union  
17 you miss much of its very essential nature.

18 COMMISSIONER LEMAN: I am just looking at  
19 this list of accounts and I can see 65,000 people who  
20 have over \$1,000 in the share account. Now, where  
21 do you think it flattens out and levels off?

22 MR. GOUNDREY: This, I think, is a matter  
23 I would not hazard a guess at. I do not know how  
24 knowledgeable you would have to be about individuals  
25 and individual credit unions before you could do this.  
26 There are certain individuals who have got very large  
27 deposits with credit unions. I am speaking about  
28 people of not modest means but of very, very substantial  
29 holdings in other institutions and bonds, shares and  
30 perhaps owners of large institutions who have kept





1 substantial deposits in credit unions because they feel  
2 that the fund should be used for the needs of the people  
3 in that community.

4 This immobilizes funds if they do this. I  
5 cannot hazard a guess as to the motives of the people  
6 who do this thing nor do I know enough about the  
7 individual members of credit unions to talk about  
8 whether it would be 100, 200, 500 or the rest.

9 MR. O'CONNELL: There is a certain stickiness  
10 in the credit union deposits which you may not find  
11 in other institutions to the same degree although the  
12 banks in some places would. So that perhaps the  
13 average saving may be very high, let us say over \$1,000  
14 as being very high for a credit union. That \$1,000  
15 very often is actually small savings because of this  
16 saving which has been accumulated over a long time by  
17 regular savings. From the random selections I think  
18 we have one as a demonstration here that would indicate  
19 that. Some of the instances which we have among  
20 ourselves in our own conversations which are not readily  
21 convertible into statistics indicate that as well  
22 and the member of the credit union has accumulated  
23 that on the overall over a long period of time in  
24 very, very small amounts and is not likely to remove  
25 it from the credit union. That is not exactly what  
26 you are asking.

27 I think in so far as the tendency to increase  
28 the deposits is concerned, there is the factor working  
29 of habit and of the personal relationship which some-  
30 times develops between the saver and his own institution







1 and, secondly, by these repeated deposits there is one  
2 other factor that comes into account, that every credit  
3 union that is operating decently at all not only works  
4 with the member in so far as obtaining savings from  
5 him and providing loans is concerned, but they work  
6 with him gently to point out what the credit/<sup>union</sup>is doing  
7 and to give him a little bit more explanation each time  
8 of what the operation is about.

9 We speak sometimes of our savings as being  
10 educative saving because you are saving with the full  
11 knowledge of what your saving is accomplishing both  
12 for yourself and the contribution that it makes towards  
13 the well-being of the other members of the credit union.  
14 So when you are analyzing the credit union saving  
15 picture in certain areas at least I would think that  
16 it would be non-responsive to the market mechanism  
17 particularly as it is seen through interest variations.  
18 In many instances it is not responsive at all, I am sure.

19 THE CHAIRMAN: Well, it is a large amount,  
20 between \$1,000 and \$5,000 -- relatively large. I suppose  
21 most of those would be the result of an accumulation  
22 of savings over some years. I got the impression from  
23 you that certain people who put a large amount of  
24 money in in a lump sum just for the good of the movement,  
25 in other words, that may not be so.

26 MR. GOUNDREY: This would be very, very rare.  
27 Occasionally you bump into people doing the strangest  
28 things. I have given up attempting to find an explanation  
29 of these motives.

30 MR. McMASTER: I think also it should be





1 appreciated that in the overall picture which is the  
2 only thing that is possible to get for consideration  
3 here, you have a considerable difference in the type  
4 of credit unions. I think, for instance, of a fisher-  
5 man's credit union where in order to effectively meet  
6 needs of the members they need to have substantial  
7 sums of money and at some periods of the year the  
8 members do have substantial sums coming in and they  
9 just tend, in order to meet their needs, to put far  
10 more money into the credit union than a person, for  
11 instance, working in the city of Vancouver or Nova  
12 Scotia.

13 COMMISSIONER LEMAN: Because the loans  
14 are to help others?

15 MR. McMASTER: It is to help them in their  
16 primary object and because of that you will have some  
17 credit unions with a much larger proportion of that type  
18 of loan than others which gives a much greater picture.

19 COMMISSIONER LEMAN: Capital loans rather  
20 than consumer loans in that instance?

21 MR. McMASTER: Yes.

22 COMMISSIONER LEMAN: Might we turn to the  
23 matter of supervision and control of the movement.  
24 You have made quite a point throughout that the move-  
25 ment now is composed of a large number of units that  
26 are autonomous and supposed to be run in a democratic  
27 way, et cetera.



1                   However, you also recognize the need for a  
2     certain amount of supervision. It seems to me at least  
3     from listening to the information about the movement  
4     province by province that the level and character of  
5     supervision varies quite a bit from province to province.  
6     I would even say the quality of the supervision seems  
7     to vary, or the tightness of supervision varies. Is  
8     this something that the national association worries  
9     about a little bit? Do you feel a need despite the  
10    autonomous character of the unions to try to standardize  
11    supervision a little bit more?

12               MR. O'CONNELL: I think our position in  
13    that regard, Mr. Leman, is this. We have found out  
14    from our own history in the credit union movement  
15    that as we do grow we need to look at our safeguards  
16    in the movement, one of them being supervision to see  
17    to it that it does the job it has to do with respect  
18    to members' savings, operations of the credit union  
19    and all of those various business aspects of it. The  
20    system that has evolved, in our own experience to date,  
21    although the quality of it has changed from place to  
22    place, appears to be fairly satisfactory under present  
23    conditions; fairly satisfactory in so far as we have  
24    not had any great crisis which would make us think  
25    otherwise.

26               At the same time, looking ahead we realize  
27    that the responsible people in the movement have to  
28    be aware of having adequate supervision which anybody  
29    who is handling money needs to have. I think, generally  
30    speaking, we are constantly re-examining our own position







1 provincially to see what can be done to improve the  
2 quality of inspection. Mr. Ingram can bear me out  
3 in this. There is an increasing emphasis in trying  
4 to make our supervisory, with our internal area, work  
5 more satisfactorily by holding various educational  
6 meetings and bringing in people who know about these  
7 things to help us. The relationship between credit  
8 unions and the supervisory authorities in the various  
9 provinces has resulted in a more efficient operation  
10 as the years have gone by. It has become a little  
11 bit better each year than it was the previous year,  
12 although it may not at the present time be up to the  
13 standards which are considered absolutely adequate.

14 Our contention is that we have no hesitation  
15 in inviting anybody to look at our position and make  
16 recommendations to us to study. We have no closed  
17 attitude in respect to anything of this kind.

18 With respect to the fundamental nature  
19 of the organization, and we do not know how things  
20 could be communicated in this area, we feel that any  
21 improvement in the supervisory system that we have  
22 should be improvements in supervision which are handled  
23 through the provincial authority in order to maintain  
24 a local autonomous nature all the way through the peace.  
25 That being, of course, principally because of what  
26 we have already said and, secondly, because supervision  
27 to my mind and legislation are often times very closely  
28 connected, and it is much more efficient from the point  
29 of view of credit unions to be dealing with legislation  
30



1 on the provincial level rather than dealing with  
2 legislation on a federal level.

3 COMMISSIONER LEMAN: I wonder if you could  
4 motivate this a little more? Is it because the  
5 character and the operations of the credit unions  
6 from province to province are so different that it  
7 needs a different type of legislative control?

8 MR. O'CONNELL: They are different. There  
9 is the problem also that if you are going to have a  
10 federal supervision system, I would think you would  
11 have to have all or nothing. You would have to have  
12 the credit unions under federal supervision or not  
13 under federal supervision. You would not want to  
14 have a certain group of credit unions according to  
15 assets or a certain group according to organizational  
16 patterns only. We feel that right from the mechanics  
17 of it, to administer credit unions at a national level  
18 where you have something like 4,500 or more individual  
19 autonomous bodies varying from \$8,000 to \$10,000 assets  
20 to what have you, that it would be a very inefficient  
21 system at best. At least, there would have to be  
22 such an inspection staff that the end result would not  
23 be worth it. That is our main contention.

24 COMMISSIONER LEMAN: I suggest to you, Mr.  
25 O'Connell, that that conclusion does not necessarily  
26 follow from a centralizing basis for legislative  
27 control. If there were more regulations at the  
28 local level regarding outside statutes and that sort  
29 of thing you would not have to have inspection necessarily  
30







1 of all 4,500 units direct from some federal authority.  
2 That does not necessarily follow.

3 MR. O'CONNELL: A yield.

4 COMMISSIONER BROWN: Also, would it not  
5 be simpler if you had only one legislative body to  
6 deal with rather than ten or eleven?

7 MR. O'CONNELL: We do not feel that would  
8 be the case, sir.

9 COMMISSIONER BROWN: Why not?

10 MR. McMASTER: I think our experience of  
11 credit unions, Mr. Brown, has been that they are in  
12 varying stages of development in varying provinces,  
13 and because of their local autonomous nature there  
14 are different kinds of problems arising at different  
15 times. The credit unions in British Columbia may  
16 have problems that do not affect the rest of Canada,  
17 or are not common with them at a period of time.

18 COMMISSIONER BROWN: Such as?

19 MR. McMASTER: I think for instance if  
20 you had a serious setback in the fishing industry in  
21 British Columbia -- this might be there at the east  
22 coast at the same time, but not anywhere else, and  
23 this is an important segment of the credit union  
24 movement in British Columbia.

25 THE CHAIRMAN: How does that affect the  
26 content of the statute? You have these provincial  
27 statutes which vary slightly in their terms, but do  
28 not vary greatly as I recall it, is that so?

29 MR. McMASTER: It is true that the basic  
30 framework here is much the same.





1 THE CHAIRMAN: Yes. I do not recall any  
2 special provisions in any one statute which is designed  
3 for any particular problem arising in a particular  
4 province. I may be wrong about that, but I do not recall  
5 any.

6 MR. McMASTER: I do not know whether I can  
7 place one in my mind at the moment, but I think for  
8 instance that the revision of the Credit Union Act  
9 in British Columbia that took place recently represents  
10 one place, among others. First of all we looked at  
11 what was the factual situation among credit unions  
12 in British Columbia. Secondly, we looked at what  
13 were the legislative provisions in the other provinces.  
14 We did not suggest and the government did not incorporate  
15 all of the same provisions that there might be, for  
16 instance, in Saskatchewan.

17 THE CHAIRMAN: Yes, but would it make much  
18 difference if they did or did not?

19 MR. McMASTER: I think it would. I would  
20 have to do an analysis of the reasons here, but I think  
21 that there is sufficient adjustment in these areas  
22 that it is important that credit unions, because of  
23 their local nature, should be able to deal with a govern-  
24 ment body in the first place that can move fairly easily.  
25 A legislature does not move too easily, but it can  
26 move quickly if it needs to. In this event that  
27 legislature is informed through its own inspection  
28 services or its own department in charge of this and  
29 has a combination of information from that department  
30 plus the information that might be brought to it by the





1 organized credit union movement.

2 COMMISSIONER BROWN: You have a national  
3 movement. This is a national body that is addressing  
4 us now, so you have that function in doing this.

5 MR. McMASTER: It is a national body, but  
6 again, as Mr. O'Connell said at the outset, one of  
7 the difficulties in putting this brief together and  
8 I assure you it has presented difficulties, is the  
9 fact that you do have a very large number of autonomous  
10 bodies, and to try to represent reasonably, fairly and  
11 properly all the views of those through their elected  
12 representatives in the league, and to bring that group  
13 together on a national level, we found is quite a balancing  
14 act at times.

15 There is a great deal in common that we have  
16 but there are differences in points of view, differences  
17 in operations and that sort of thing that do present  
18 some difficulties in a national organization. If  
19 you translate that into national legislation I think  
20 you begin to see the differences across the country  
21 and tend to make bad legislation, because if you change  
22 the legislation here it may affect somebody over there  
23 in a different way. It is logical and reasonable,  
24 having regard to the local nature of the credit unions,  
25 that the local government bodies should be the ones  
26 that can do the adjusting that needs to be done, and  
27 it is usually just minor adjusting in the legislation  
28 and also I would say in the supervision techniques.

29 COMMISSIONER LEMAN: I would like to suggest  
30







1 to you that, human nature being what it is, there  
2 are very few people who go begging for supervision  
3 and regulation. We had a little bit of discussion  
4 yesterday about that very point. It is usually those  
5 people who are representing the second tier or third  
6 tier that can take a national point of view and will  
7 see the problems more clearly. They get a birds eye  
8 view of the problem and sometimes they may have a  
9 better view of what the needs for control and regulation  
10 are than these autonomies looking from the bottom up.  
11 For instance, if I could refer you to paragraphs 76  
12 and 77, there you are talking about a very narrow  
13 field of the movement, C.C.C.S., but there is an  
14 implication there, to use layman's language, that the  
15 federal authority does not understand you very well.

16 MR. McMASTER: I think actually what that  
17 is intended to say, Mr. Leman, is this: that at the  
18 time the C.C.C.S. was incorporated the federal govern-  
19 ment faced two things, in fairness to them. We think  
20 there is an absence of statistical material now.  
21 There was a complete absence of statistical material,  
22 or almost, at that time. The federal authorities  
23 had little or no occasion to deal with credit unions  
24 and therefore did not have the sort of background even  
25 that we have been able <sup>to supply</sup> in a limited way to perhaps  
26 assist this Commission in getting a picture of it.  
27 The result was that they had to bring to the credit  
28 union experience the standard finance experience that  
29 those authorities had had. This was their point of  
30 view and it is quite understandable that it should have





1    been.    I think over a period of ten years that the  
2    C.C.C.S. has been in existence, the administrative  
3    bodies in government have begun to understand some  
4    of the motivations and some of the practices which  
5    may be different, and some of the factors that enter  
6    into questions of liquidity and that sort of thing,  
7    and that there is increasing understanding.

8                    It may be true that if we set up federal  
9    administration for all credit unions in 20 years they  
10   might get around to this understanding, but our concern  
11   is that at the present stage of growth this might be  
12   a considerable setback in legislation and supervision.

13                   The movement has shown itself responsible  
14   as evidence shows across the country in seeking and  
15   actually at times pressing governments for things  
16   that are restrictive. This latest amendment in the  
17   British Columbia Act was partly that.

18                   MR. O'CONNELL: I might submit to you in  
19   addition, sir, that one of the fundamental concepts  
20   of the credit movement union is that these are people  
21   who are well able to manage their affairs. As a  
22   result of that we have developed across the country  
23   very many responsible boards of directors, and they  
24   are not interested only in the savings operation and  
25   the interest operation of the credit unions, and the  
26   philosophical aspects, but they are interested also  
27   in the stability of the credit unions, and having  
28   the credit unions service the people and their needs  
29   for a long period of time. As a result of that, they  
30   look to the safety position of their credit unions in a







1 very responsible way. That is one thing that the  
2 credit union movement is doing. It is training people  
3 in responsibility and making better citizens in the  
4 country.

5 We are laughed <sup>at</sup> /for saying such things in  
6 many quarters, but none the less we believe that  
7 we have been an element which has introduced in this  
8 country some area of responsibility which heretofore  
9 was lacking.

10 At our local credit union annual meetings  
11 there are questions asked with respect to the stability  
12 of credit unions and the safety of deposits. The  
13 officers are responsible for answering to the membership,  
14 and they cannot fool them. They might be able to fool  
15 them in 1960 but they cannot do it right through to  
16 1965.

17 COMMISSIONER LEMAN: You cannot fool all  
18 of the people all of the time?

19 MR. O'CONNELL: Well, I did not want to  
20 use that expression. Then when we come to our credit  
21 union league meetings, and I think this will be born  
22 out by what Mr. McMaster was speaking about, if you  
23 examine the increasing number of legislative statutes  
24 that we have dealing with supervision, you will find  
25 that these mainly have come into existence to the  
26 locals from the leagues because of requests for greater  
27 tightening in the areas of supervision and greater  
28 liquidity requirements and so on.

29 This is the way we feel that we should evolve.  
30 We feel that we are a self-determined movement.





1 I said we were quite willing to listen to  
2 outside advice in respect to any technique which we  
3 have in the credit union movement, but that is the  
4 way that these people behave; that is the way that  
5 they live and that is the way that they are in relation  
6 to the government. They think in that way.

7 In some provinces, for instance, the  
8 registrar of credit unions comes and talks to the  
9 delegates at the convention level and will explain  
10 legislative things to them and make suggestions to  
11 help them along. There is very close relationship  
12 in many cases between your supervisory authority and  
13 your legislative authority which is not necessarily  
14 bad, because there is no possibility of anything corrupt  
15 in that procedure.

16 That is why I suggest to you that this is a  
17 constant thing which is not only thought about and  
18 talked about on the national organizational level, but  
19 on the provincial and local levels as well.

20 Sometimes we move slowly. None the less  
21 we feel we are moving in time very well. There is  
22 nothing impulsive about anything in our growth. We  
23 would appreciate having advice on such things which  
24 will help us in these particular problems. That is  
25 the way we look at it, sir.

26 COMMISSIONER LEMAN: I am quite willing to  
27 admit that probably a lot of the factors you point out  
28 are true. Maybe they are not completely in their  
29 implication, though, because however painful it may  
30 have been I think we have developed pretty responsible



boards in the banks and insurance companies.

COMMISSIONER LEMAN: They are regulated and controlled very, very closely, are they not?

MR. O'CONNELL: Yes, but that is a different type of thing, I believe. I am talking about responsibility perhaps in a slightly different manner. If you will give me a chance perhaps I might be able to zero in on you and to tell you exactly what I mean. I will hold that off for a minute or two and perhaps it will come to me then.

COMMISSIONER LEMAN: Referring to a specific point, and this will tend to get the C.C.C.S. into the picture here, what would you think of the idea of having centralization funds moved up to the national level, would that be efficient? The stabilization funds are primarily trouble-shooting funds are they not?

MR. O'CONNELL: Correct.

COMMISSIONER LEMAN: How would that sound, to move the stabilization fund weapon to the national level?

MR. GOUNDREY: Are you suggesting that this would be compulsory; that the stabilization funds would have to be put in to the one place? You see, all of the provinces are not members of the C.C.C.S.

COMMISSIONER LEMAN: Let us not talk about compulsion now, let us talk about desirability.

MR. O'CONNELL: Mr. Leman, perhaps there is an experience like that.

COMMISSIONER LEMAN: The problem is to establish the need or desire for something and then decide whether it has to be done by compulsion or otherwise.





1 MR. O'CONNELL: There is an experience along  
2 that line being developed by C.U.N.A., only it is more  
3 on the international side than on the national side,  
4 if you would care to -- perhaps Mr. Weinberg would  
5 say something on this.

6 MR. GLEN: I find your comment extremely  
7 interesting. One is a little hesitant about how far  
8 to go in expressing an opinion, because one might have  
9 a personal opinion and not in a position to state an  
10 official opinion, so you have to analyze my remarks  
11 in whatever light you wish to do.

12 I think it is a matter of some pride to the  
13 Canadian section of the movement that the generation  
14 of the idea for stabilization of funds originated  
15 in this country and then spread to the United States.

16 There is a rather fundamental difference in  
17 Canada to date, in that in the provinces of Saskatchewan  
18 and British Columbia the stabilization funds which we  
19 have developed are compulsory and in so far as all  
20 credit unions, whether they are affiliated with the  
21 league or not, they must participate. In some of the  
22 other provinces of Canada the development of stabilization  
23 funds has become sort of a voluntary thing. In my  
24 personal opinion I can see how a stabilization  
25 fund could work effectively without the element of  
26 compulsion, even though you don't wish to use that  
27 word. I think that it must have all credit unions in  
28 or it will not be effective. In the United States  
29 there has been developed a international stabilization  
30 fund, which is an incorporated body to which the





1 stabilization fund of the various state leagues have  
2 become members. Most of the American state stabilization  
3 funds operate on a voluntary basis, or if there is  
4 compulsion it is only compulsion on the part of those  
5 credit unions which belong to that league and not on  
6 the ones outside.

7 Now, the setting of the international fund,  
8 it was conceived that this ought to be an international  
9 fund and that the stabilization fund of Canada or  
10 any other country could become members and participate.  
11 The difficulty, of course, has been the wide diversion  
12 in the types of funds from state to state and province  
13 to province and it has made it hard to develop a  
14 proper type of international fund, and I think for  
15 this reason that up to this date at least none of  
16 the Canadian stabilization funds have joined the  
17 international.

18 I think in the broad perspective -- and this  
19 is my own personal view -- that to provide stability  
20 to the Credit Union Movement, as we see the necessity  
21 for such stability, there should be a stabilization fund  
22 in each league area and personally I say that this  
23 should include all credit unions whether they are members  
24 of the league or not. In other words, it would be  
25 compulsory and that in each country -- in Canada there  
26 would be a national stabilization fund to which the  
27 provincial stabilization fund would belong and then,  
28 perhaps, as the need develops or as the movement sees  
29 the need, then the national stabilization fund would  
30 come back to an international stabilization fund.







1 Now, whether this will be the form of development,  
2 it is very hard to say, but in my view at the moment  
3 I would say this is not the manner in which it would  
4 develop. If I were to forecast what my own desires  
5 would be in Canada, they would be to see eventually  
6 a national stabilization fund for Canada. The inter-  
7 national aspects, vis-a-vis the United States and  
8 Canada, are so far in the future that I would  
9 hesitate to suggest when this need might become  
10 apparent, if ever. However, these are my own views on  
11 the matter and I might add to that ---

12 COMMISSIONER LEMAN: I haven't gone so far  
13 as to talk about international; I was talking about  
14 national.

15 MR. GLEN: The point I wanted to make is that  
16 we have taken a jump -- it would seem to me that the  
17 normal progress would be from provincial to national  
18 and then international, and what the credit union  
19 movement has done is gone from the provincial to the  
20 international without the intermediate state, and I  
21 think that this came about largely because of the  
22 international nature of C.U.N.A.; that whatever we do  
23 we regard as an international development, and so the  
24 fund was set up as an international fund, although  
25 for practical purposes it operates as a national fund  
26 in the United States, but we have no comparable develop-  
27 ment in Canada as yet.

28 MR. McMASTER: I might say that from the experience  
29 we have in the way in which things are changing in the  
30 credit union movement that in all probability the national



1 stabilization programme would be something which would  
2 develop, but as yet I don't think we can make any  
3 clearcut pronouncement on it until the league has  
4 discussed this matter and the national society has  
5 discussed it as to the advisability and the technique  
6 of putting it into operation, but I wouldn't be  
7 surprised if that were to come about fairly rapidly.

8 I might add one thing, if I may may, in this  
9 business of responsibility of directors. The type of  
10 responsibility I was thinking of was that we feel  
11 that the responsibility is generated by participating  
12 actively in economic decisions and this could apply  
13 to our members and people who wouldn't, by virtue  
14 of their position or their income -- necessarily  
15 participate in any economic decisions whatsoever.  
16 As far as the organization is concerned and in so far  
17 as we have dealt with this type of responsibility or  
18 having to generate this participation I wasn't making  
19 any suggestion that we would all be responsible, or  
20 anything like that.

21 COMMISSIONER LEMAN: Don't take my remark  
22 too seriously.

23 MR. McMASTER: I just wanted to make it clear.

24 COMMISSIONER LEMAN: What puzzles me about  
25 this question of supervision and control is that I  
26 got the impression going through the country that in  
27 each part the matter of cost of what might seem to be  
28 a desirable level of control was one of the inhibiting  
29 factors; would you agree with that?

30 MR. McMASTER: Well, perhaps I will ask Mr.





1 Goundrey if he could give some information along  
2 that line.

3 MR. INGRAM: Were you referring to the cost  
4 of supervision?

5 COMMISSIONER LEMAN: Yes.

6 MR. INGRAM: The reluctance on the part of  
7 credit unions to pay for such supervision?

8 COMMISSIONER LEMAN: We were told in some  
9 places it was too expensive for the size of the small  
10 locals that had to bring in outside auditors, and in  
11 other places we have been told that while the movement  
12 was wealthy enough to do most of the work, they did  
13 expect a certain amount of subsidy from the province  
14 in running a good supervisory control system. Is it  
15 a matter of cost? I can understand your respect for  
16 the economy of the locals; where it is a matter of  
17 cost that they don't want to be forced to have the right  
18 level of control, and you are between two different  
19 levels of problems.

20 MR. INGRAM: I would say, except in some  
21 isolated cases, that the movement itself collectively  
22 and generally speaking is quite concerned about and  
23 quite prepared to pay for adequate supervision or  
24 inspection or whatever term you want to use, and I think  
25 that the movement as a whole has indicated and demonstrated  
26 some very real progress and has contributed to the  
27 stability and proper supervision of credit unions and  
28 I think that historically speaking the provincial  
29 expansion programme as provided by governments under  
30 somewhat similar legislation in the provinces has







1 continued to a more or less standard kind of inspection  
2 service by the supervisory authorities in the various  
3 provinces. These same inspectors and registrars  
4 meet annually themselves to discuss types of controls,  
5 times of supervision, inspection programmes and so on.  
6 This in itself has contributed to a uniform standard  
7 kind of inspection throughout the whole Canadian  
8 movement, and in addition ---

9 COMMISSIONER LEMAN: You say that is has  
10 contributed to it. Has it achieved it, a uniform level  
11 of control and supervision and auditing -- perhaps  
12 I am starting from the wrong premise and we might as well  
13 establish if the premise is right. Has it achieved it?

14 MR. INGRAM: Not entirely, no, this hasn't  
15 been completely achieved and that is another reason  
16 why I would say that the movement as a movement has  
17 in some years instigated a supplementary kind of  
18 service. For instance, the Caisses Populaire movement  
19 in Quebec and the Movement in Ontario. These two  
20 are probably outstanding examples of where the movement  
21 itself has developed a self-policing kind of organization  
22 either as a supplement to or possibly replacement of  
23 that kind of supervision which up to now has been  
24 provided by respective provincial governments, and  
25 admittedly the kind of supervision and control and  
26 regulation that was being provided in some provinces  
27 up until recent years hasn't been satisfactory in the  
28 opinion of the movement itself. That is why we have  
29 developed all kinds of other programmes, loss prevention  
30 programmes, stabilization funds and we have developed





1 our own bonding programme, all these kinds of services  
2 which will in themselves either contribute to or provide  
3 some kind of better regulation and supervision because,  
4 as I mentioned, in some provinces admittedly the quality  
5 of supervision and inspection has, in our opinion,  
6 not been quite adequate.

7 I don't whether this answers your question or  
8 not. I don't think on the whole that the cost is the  
9 real factor.

10 THE CHAIRMAN: Who is to pay the cost, that  
11 is the thing.

12 MR. McMASTER: I think, Mr. Chairman, that  
13 there has been some indication -- not in the brief  
14 or officially in the discussion, but in the credit  
15 union movement -- and I am subject to correction on  
16 this from the Chairman -- but generally speaking  
17 the credit union movement is prepared to say that a  
18 fair share of the cost of adequate supervision is a cost  
19 that should be borne by the credit unions in a proportion  
20 that is acceptable to them amongst themselves, but there  
21 is a feeling in some parts of the country -- and I  
22 think with some justification and I think particularly  
23 in the Maritimes where the credit union movement has  
24 been in many respects quid pro quo so far as the  
25 government is concerned when problems arise. In some  
26 of the small communities the government itself may come  
27 to the credit union movement and say, "Will you help us  
28 deal with this problem?" The organization movement  
29 has done it so they are more inclined to feel, well,  
30 if we are providing this service -- well, the government







1 can provide this service, but generally across the  
2 country there is a feeling of a desire for adequate  
3 and competent supervision service on a provincial  
4 basis and a willingness, however, to see that this  
5 is worthwhile and the organized movements contribute  
6 to it substantially as being the main beneficiary  
7 from it, although there is a general public benefit  
8 as well.

9 THE CHAIRMAN: We will adjourn now until  
10 2.00 o'clock.

11 --- Luncheon Adjournment.  
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--- On resuming at 2.00 P.M.

COMMISSIONER LEMAN: Mr. Chairman, I have one or two more questions in the field of external and internal control. I am wondering if either through the leagues or centrals what would happen if you did try to make it compulsory to have the accepted standards of auditing in order to be a member of those bodies?

MR. O'CONNELL: That is the local credit union people and the league and central -- the only difficulty there would bring us once again round the full circle into the cost element of who was to pay for it. If you had an outside auditing firm auditing some of the small locals the cost in many cases would be prohibitive for them and they would not be able to belong to the other organizations. I presume that is not within the framework of your question exactly.

COMMISSIONER LEMAN: Just before we broke up I asked you if you thought the cost element was the main inhibiting factor to achieve standardized procedures for external control, and I think you answered that you did not think that was the key factor?

MR. O'CONNELL: You mean external inspection by something other than government, or something outside of the movement, or inspection that is paid for by the credit unions -- exactly which compulsory inspection?

COMMISSIONER LEMAN: It would not necessarily have to be paid for by each local as such. Perhaps there would be other formulas at low level in which case the contributions to the league might have to be higher. The cost factor is something quite considerable, I





1 suppose. Some locals are large enough they probably  
2 can afford a good standard of auditing. Others, I think,  
3 have claimed they were a little small and the cost  
4 factor would be quite an impediment. But you could  
5 get around that by, again, a system of co-operation at  
6 league level or at central level.

7 COMMISSIONER BROWN: To be practical, this is  
8 outlined in the American unions at page 32 -- the various  
9 examination fees.

10 MR. O'CONNELL: That is where the credit unions  
11 are federal, I believe.

12 COMMISSIONER BROWN: Well, I am not using  
13 this as an exact parallel, but this is the type of thing  
14 I think Mr. Leman is talking about as being within  
15 the bounds of reasonable possibility. Let us not use  
16 those as details; we will use it as a principle.

17 MR. McMASTER: Is Mr. Leman's question directed  
18 to government inspection and/or the government inspection  
19 and supervision or purely to the question of auditing,  
20 or a combination of all these things.

21 COMMISSIONER LEMAN: Perhaps a combination of  
22 both. In part, if you leave it all to the government  
23 to do the various types of control and inspection it  
24 requires quite a large staff at the governmental level.  
25 If you had certain standards of auditing made compulsory  
26 by the league, perhaps the governmental authority could  
27 reduce the amount of inspection it has to do.

28 MR. McMASTER: One of the real problems in  
29 a province like British Columbia -- and I suppose it is  
30







1 true in other areas of the country -- is your small  
2 credit union has the problem of a cost factor which may  
3 be shared reasonably by others to have the benefit of  
4 this, but you do have a smaller credit union in many  
5 isolated areas where the provision of auditing services,  
6 if that is what we are talking about, on an adequate  
7 basis would be pretty expensive to put in, and if you  
8 have a government inspection system where the inspector  
9 is travelling, I suppose if you hired an auditor, or  
10 a series of auditors, and kept them on a rotating  
11 basis -- however, it is rather difficult to get a  
12 competent auditing staff on that kind of basis.

13 MR. JOHNSON: Mr. Chairman, in some areas  
14 in Canada we have provisions whereby a credit union  
15 after it reaches a certain size or a certain amount in  
16 assets is required to have an independent auditor, the  
17 cost being borne entirely by the local credit union.  
18 The difficulty here that we have experienced is that  
19 it is most difficult to get auditors who are familiar  
20 with the ordinary type of commercial audits to effectively  
21 audit a credit union. I don't know why this is, but  
22 this is one of the problems we have run into.

23 MR. O'CONNELL: What is worrying me is that  
24 this question is probably divisible into two sides.  
25 There is the cost element, and then a membership element.  
26 One question is that the credit unions should be  
27 subject to a compulsory audit from some agency as long  
28 as it is outside to be paid for by the credit unions  
29 or by some combination of the credit unions and the  
30 leagues. Then there is the more difficult question of





1     tying this in with membership in the league. That is  
2     what is causing me the difficulty.

3             COMMISSIONER MACKINTOSH: Tie in with members  
4     of the league -- oh, I see.

5             MR. O'CONNELL: To make it a compulsory  
6     feature. They would have to have this compulsory  
7     audit in order to belong to the league and to the  
8     central, and this is something which I believe very  
9     closely approximates some of the various things that  
10    we wish to do, that we consider our leagues to be,  
11    within reason as much as these can be, to be more or  
12    less free associates of credit unions coming together,  
13    and the compulsory element -- we have certain rules  
14    and regulations, as has any body, but we prefer to  
15    keep our compulsory elements down to a minimum, and  
16    a compulsion along this line, providing the legislation  
17    in the province, generally speaking, did not make this  
18    compulsory audit necessary for the credit union to  
19    exist, might only result in breaking the league strength  
20    or completely demolishing it. So, that is the aspect  
21    of it which gives me pause, and on that ground -- that  
22    is, looking at it quickly -- I would be inclined to  
23    think that this would be something which would not  
24    be acceptable to the movement in Canada, although it  
25    is a matter which of course will have to be discussed.  
26    This is just an off-the-cuff reaction more than a  
27    reasoned opinion on it.

28            Then, the other question then comes back again  
29    as to whether the credit unions should be subjected  
30    to some measures from some source with respect to the







1 varying the cost of a properly conducted audit. Here  
2 again it is -- and I do not feel that I can be absolutely  
3 explicit on it, because there is a growing awareness  
4 among the responsible people we have in the movement  
5 today, anything which will improve the internal stability  
6 of the credit union operation, that there are some  
7 divergencies of views as to where that cost should be  
8 borne: Should it be entirely by the credit unions,  
9 or has government a stake in this as part of protecting  
10 the public, or that segment of the public which is in  
11 the credit unions, to bear some of the cost, or should  
12 it all be government, or all league? These are things  
13 which I do not think the movement themselves have fully  
14 discussed to the point where I would be in a position  
15 that I could inform you that this would be -- and I  
16 presume that is what you are asking -- that this would  
17 be the type of thing we would wish to have.

18 THE CHAIRMAN: Is this a question of protecting  
19 the public, or is it a question of protecting the members  
20 of the organization.

21 MR. O'CONNELL: Protecting that part of the  
22 public who are our membership.

23 THE CHAIRMAN: Yes, but they are members and  
24 they have control of the situation -- they are protecting  
25 their own interests.

26 MR. GLEN: I wanted to suggest to Mr. Leman that  
27 in the minds of many credit union people there is a tendency  
28 to differentiate between auditing inspection and super-  
29 vision and this is what makes it difficult to answer  
30 your question in my view. Inspection we have come to





1 refer to as the role of the government agency largely  
2 to check into the operations of the credit union to see  
3 they are being carried on in accordance with the  
4 legislation under which the credit union is established,  
5 and it is not necessarily an auditing service. Auditing  
6 we have come to regard as a function performed by  
7 professional people outside the credit union itself,  
8 such as chartered accountants, certified public accountants,  
9 and what have you. Supervision is a game, in the minds  
10 of many of our people, allied to the functions of  
11 the supervisory committee, which is an elected group  
12 of the membership, and if we are to deal with the  
13 relationship of these three areas, as we see them, to  
14 the credit union, then my own view on this -- and I  
15 subscribe to what Mr. O'Connell has said -- because  
16 we have not discussed this on the basis of official  
17 policy. All we can do is give you our feelings on it  
18 as individuals, and I think all of us would subscribe  
19 to uniform standards of inspection by the appropriate  
20 government agency. This is not to subscribe to the  
21 idea of a national inspection or a federal inspection  
22 agency, but as long as the procedures from province  
23 to province were reasonably uniform, I think this  
24 would be in our good interests.

25 The requirement of outside audit by professional  
26 people, as Mr. Johnson has pointed out, is a subject  
27 dealt with in a number of studies where, when a credit  
28 union reaches a certain size it is mandatory they  
29 have outside audits and this is done by direction of  
30 the head of the government inspection agency -- the







1 Inspector of Credit Unions, in our case. We find the  
2 Inspector of Credit Unions will tell the credit union  
3 that because they employ outside auditors this does  
4 not relieve their supervisory committee of its  
5 responsibility in the matter, which is internal  
6 examination of the workings of the credit union and the  
7 reports to the membership or to the board of directors  
8 of the credit union. I always have subscribed to the  
9 belief that an outside professional audit is a distinct  
10 advantage to a credit union, not altogether so much  
11 in what the audit might reveal but in the assistance  
12 that professional people can give the credit union  
13 management in the process of their audit by suggesting  
14 changes in procedures, and so on.

15 The function of the supervisory committees  
16 is an important one in our credit unions for two  
17 reasons: The watchdog activity they carry on, their  
18 sense of responsibility to the membership itself, and  
19 they are elected by the members to do this job and  
20 they must perform this function; and also the knowledge  
21 it gives them of the whole operation.

22 So, I am afraid it is not possible for me  
23 to give an answer to the question as you posed it.

24 COMMISSIONER LEMAN: On the whole have these  
25 supervisory committees worked well? Do they perform  
26 the function very well?

27 MR. GLEN: What happens, in my experience, is  
28 that when a credit union is small -- and, for definition,  
29 let us say under \$100,000 -- the supervisory committees  
30 do perform their functions adequately, but when the







1 credit union gets past that point the volume of work  
2 on required/the supervisory committee becomes rather  
3 more than one could expect from volunteer people who  
4 have jobs and other interests to consider, and I think  
5 that is why our legislation says that at that point  
6 the Inspector may require outside auditors. At that  
7 point when it is done the outside auditor usually works  
8 with the supervisory committee and he lays out a  
9 programme of work and says, "You do these things and I  
10 will accept your findings on these, and these other  
11 things I will look at myself." In my own credit union  
12 we have outside auditors who work with our supervisory  
13 committee. They look after such things as cash counts  
14 and checking of securities, and this will be accepted  
15 by our external auditor, but he will come in quarterly  
16 and do his own spot checking and a complete audit  
17 annually. We also have the Inspection Department of  
18 the government coming in and they will deal with our  
19 operating policy and make recommendations. All this  
20 has worked extremely satisfactorily in our own case.

21 COMMISSIONER LEMAN: The real concept I am  
22 discussing here, and I want to know what the attitude  
23 of the national body is, and I would like to get an  
24 impression of the attitude of the leagues in the  
25 various provinces: You are interested, you are devoted  
26 to the movement and you are interested in this matter  
27 of regulation of the movement. It is in the interests  
28 of not only each separate local to be well run but  
29 in the interests of the whole national association to  
30 make sure the locals are well run. So, it seems to me





1 it is a natural field in which a league would operate,  
2 to worry about the matter of control and supervision  
3 and regulation of the system from beginning to end.

4 COMMISSIONER BROWN: When you lend to a local  
5 do you have an audited statement?

6 MR. GLEN: The centrals require this, yes.

7 MR. JOHNSON: Yes, we require not only an  
8 audited statement -- I should say, in lending to a  
9 credit union, we not only require an audited statement  
10 representing the standing of the credit union at the  
11 end of the year, but we require an up-to-date monthly  
12 statement of the affairs of the credit union when  
13 they apply for a loan to the Saskatchewan Co-operative  
14 Credit Society.

15 COMMISSIONER BROWN: Does one gather from this  
16 that the centrals only lend to the larger locals?

17 MR. JOHNSON: No, we can get this information  
18 covering any credit union in our province.

19 COMMISSIONER GIBSON: Is this true across  
20 the country?

21 MR. JOHNSON: I am not in a position to say.  
22 I think I would prefer to have Mr. Best and Mr.  
23 Robinson answer with regard to the manner in which  
24 they handle this in their various provinces. These  
25 men are both directors of the Canadian Co-operative  
26 Credit Society and managers of their centrals in their  
27 own respective areas.







1 MR. ROBINSON: Well, speaking for British  
2 Columbia we require financial statements, the monthly  
3 financial statements and examine that statement.  
4 If the credit union is a small credit union with a  
5 supervisory committee we will accept as a rule the  
6 statement of the supervisory committee. The annual  
7 audited statement is required by the provincial  
8 government and has a report on it made by the super-  
9 visory committee with respect to their job and we  
10 will accept that in the normal way as being their  
11 statement that it is satisfactory and we will take  
12 a copy of that.

13 COMMISSIONER BROWN: This is not audited  
14 by an outside auditor?

15 MR. ROBINSON: Well, you were asking  
16 the question about the smaller credit unions. In the  
17 case of the smaller credit unions we will accept the  
18 supervisory committee's statement, not whether there  
19 is a chartered accountant but a statement provided  
20 by a similarly qualified person for the larger credit  
21 unions.

22 In addition to that we will require  
23 quarterly statements from the credit union so that  
24 we have a comparative picture to look at.

25 COMMISSIONER BROWN: It is a question of  
26 the extent to which you are prepared to make loans  
27 to local credit unions and on what premise.

28 MR. ROBINSON: With the smaller ones we  
29 have accepted that.

30 COMMISSIONER MACKINTOSH: Do you require





1 statements in the case of any particular figure, say,  
2 \$100,000 to \$150,000?

3 MR. ROBINSON: In a reasonable area. There  
4 is no rule regarding chartered accountants. There  
5 is an area here of qualifications of supervisory  
6 committees themselves. I can think of a  
7 government supervisory committee where they still  
8 do not have chartered accountants. On the other  
9 hand, they have members of the income tax department  
10 on their supervisory committee.

11 COMMISSIONER MACKINTOSH: I think the point  
12 of the question is whether the central has those  
13 requirements or whether they are willing to accept  
14 any certificate that comes from a reasonable process  
15 in the local credit union. I think this was answered  
16 that you accepted what the credit union produced  
17 provided that is the way the credit union does it.

18 MR. ROBINSON: Yes, we will check those  
19 with other statistics we have, and if variations appear  
20 then we would question them.

21 COMMISSIONER MACKINTOSH: I am not suggesting  
22 you are careless or derelict in your duties.

23 COMMISSIONER LEMAN: In the C.C.C.S. brief  
24 there is a reference in quite a few paragraphs to the  
25 strength of the organization. In my view strength  
26 represents more than the number of dollars that the  
27 organization would hold at its disposal. Strength  
28 does not come just from the size of the assets. It  
29 comes from the discipline and regulation that there is  
30 in the whole movement. That is what I am getting at





1 really.

2 MR. GOUNDREY: There is one point that should  
3 not be overlooked and that is that if the centrals or  
4 the leagues began to require for membership certain  
5 types of behavior you then lose a little bit on the  
6 other side where you are expecting the members of the  
7 movement themselves to take responsibility for how the  
8 movement is behaving. This must be the dilemma which  
9 almost every association has placed before you.

10 COMMISSIONER MACKINTOSH: We will get the  
11 same argument from the stock exchanges.

12 MR. GOUNDREY: Yes, you will get it from  
13 the stock exchanges.

14 COMMISSIONER MACKINTOSH: If they are not  
15 easy on their requirements for listing they will not  
16 get the listings.

17 MR. GOUNDREY: To the extent that the leagues  
18 and centrals in the national association are working  
19 towards the health of it they dislike to do it. This  
20 is natural and I think I will not repeat it because I  
21 suspect you have heard it a thousand times.

22 COMMISSIONER BROWN: There is an implication  
23 there that the larger the credit union and the more  
24 the outside control the less likely the credit union  
25 is to join the central.

26 MR. GOUNDREY: No, this is only on the  
27 one side of the situation, not the other side.

28 COMMISSIONER BROWN: But that implication  
29 does almost creep into it?  
30







1 MR. GOUNDREY: I do not think so.

2 COMMISSIONER BROWN: I would like to go back  
3 to a subject we touched on this morning for a few  
4 minutes, Mr. Chairman. That is in connection with  
5 liquidity ratios and liquidity et cetera.

6 First of all, I would like to make a  
7 comment that there are in one or two places in the  
8 brief some implications that the Commission has made  
9 a finding of some kind with respect to liquidity  
10 and I think we should make it clear that this is not  
11 so. As far as we know we have not intentionally  
12 indicated at any stage anything about our opinions  
13 about liquidities. This is for several reasons.  
14 One is that we are interested in the liquidity situation  
15 not only from the point of view of the security of  
16 the shareholders and depositors -- although this is  
17 extremely important -- but I think also from two other  
18 points of view, One is the possible relationship  
19 as far as the competitive factor is concerned in the  
20 capital market and, secondly, if there are any impli-  
21 cations as far as monetary controls are concerned.  
22 Therefore, I would like to make it clear that as far  
23 as I personally am concerned in any questions I might  
24 ask I am not worried so much about the percentages that  
25 we discuss or the adequacies or otherwise of those  
26 percentages but rather the methods by which these  
27 percentages are measured.

28 In this connotation I would like to have  
29 you comment on my suggestion that possibly a provincial  
30 central relative to the local credit unions for this





1 liquidity factor and for the movement of funds from  
2 one to another is more analogous to the head office  
3 of a bank dealing with its branches rather than the  
4 bank in its own right which is a suggestion that is  
5 implied in the brief. Would you care to comment  
6 on that?

7 MR. GOUNDREY: Well, do you want to  
8 contest this view that we have? We in fact feel  
9 this way: the local credit union decides on its  
10 own sometimes, within statutory limits, but fre-  
11 quently on its own just how it will hold its assets  
12 and how liquid they will be. Generally speaking  
13 the local credit union keeps a certain amount of  
14 their liquid reserves and as we know liquidity is  
15 tied up with three things. One is the knowledge  
16 of the person who is concerned with liquidity: one  
17 is the extent to which the individual can borrow on  
18 his assets if he has them and the other is the pro-  
19 portion of match.

20 Now, when it comes to the local credit  
21 union they hold certain liquid reserves. They hold  
22 those reserves for various purposes and in various forms.  
23 One is wholly liquid in cash in a bank or elsewhere.  
24 Some of it is in securities for which they feel there  
25 is a good market. This is a matter of judgment.

26 Now, when the centrals came into being  
27 and were developed the question of whether or not those  
28 withdrawable liquid reserves, in fact your cash reserves,  
29 could safely be deposited with the central. Now, this  
30 is similar, in our view, to the question which the local







1 credit union management has to decide as to whether or  
2 not it will keep till cash or keep cash on deposit at  
3 the bank or with the trust company in exactly the same  
4 way.

5 Now, the local credit union will deposit  
6 with the central any of its short term reserves. It  
7 has to be sure because the major responsibility of  
8 the management is to its own members, it has to be  
9 sure it can withdraw these liquid funds on demand.  
10 So that the examination of the central, as far as  
11 the local credit union is concerned, is very similar  
12 to how it looks at a bank -- how liquid is a bank,  
13 how liquid is the central, how liquid is the trust  
14 company? The purpose of this is to hold cash and  
15 you can hold cash and you can hold cash for your liquid  
16 reserves.

17 In many cases in the early days cash was  
18 held and in quite large proportions but this is not  
19 a very good way to hold your assets if you can get  
20 another form of liquidity. Within the movement the  
21 idea was that an alternative of holding your cash  
22 in the banking system is to put your cash reserves  
23 outside the movement and if you put them with central  
24 they are available to the credit union as well. But  
25 are they liquid? The general rule as we go along  
26 here, as far as I can make out and from talking to  
27 the people who manage this is you attempt to match  
28 up the maturities of your assets and liabilities.  
29 If you have a large number of very short term claims  
30 against you you tend to hold a very large number of





1 short term claims against other people. These things  
2 are matched. The matching process is a part of  
3 the liquidity. If the centrals cease to do this they  
4 then have to rely on borrowings against existing assets  
5 and this again depends on the particular ability to  
6 borrow in the market and the knowledge which the lenders  
7 have of their operations.

8 The necessity for liquidity breaks down  
9 into a number of pretty specific types of liquidity  
10 and for certain purposes the liquidity which the local  
11 credit group has to hold does not have to be liquid  
12 in the same way that your cash against deposits has  
13 to be, I mean, reserves against losses because these  
14 can be held elsewhere if you can borrow on them easily.  
15 The central provides the facility for the locals to  
16 in fact borrow easily in much the same way as you can  
17 hypothecate bonds with the bank rather than sell them  
18 on the market so we think of liquidity in our association --  
19 and the same holds true of the C.C.C.S. -- as matching  
20 these assets with liabilities in the same way that liquidity  
21 is matched and it will in this way attempt to put such  
22 of its funds into productive use or whatever purpose  
23 it may think is safe.

24 Here we should note, perhaps, that the  
25 growth of these institutions themselves imposes  
26 difficulties in the way of matching up these assets  
27 and liabilities. If you grow quickly you get a  
28 large inflow and then you want to put it to work because  
29 it has come in quickly and you think it can go out  
30 quickly and you tend to put everything in liquid form





1 but as this stabilizes you get an asset program developing  
2 in terms of what they consider to be their normal dealings  
3 plus a margin of safety. This is the principle of  
4 liquidity within the movement.

5 It is most important, I think, to emphasize  
6 that liquidity depends upon knowledge. Given the  
7 knowledge which you have of credit unions within the  
8 leagues and centrals is it likely to be much easier  
9 for a credit union to meet the demands, the unexpected  
10 demands for cash if it is tied to the central rather  
11 than if it is tied to some institution which is not  
12 so well known and not so intimately involved? This  
13 is the same as the independent bank as compared to  
14 someone associated with the larger group, but I do  
15 not think this changes the liquidity picture.

16 COMMISSIONER BROWN: Your thesis is a  
17 cash deposit in the central is as acceptable as cash  
18 deposited in a bank?

19 MR. GOUNDREY: This may not be 100 per cent  
20 true; in other words you may feel as a manager of a  
21 credit union that if I am holding 5 per cent in cash  
22 I can get rid of 80 per cent even in the central  
23 as opposed to getting rid of 85 per cent through a  
24 deposit in the bank. There may be a little margin  
25 where you may find it more convenient for clearance  
26 purposes, et cetera, where you might find a little  
27 difference. The big basis of liquidity you have  
28 to hold in central is the equivalent of a banking  
29 house. I think this is the way in which they look  
30 at it. It is certainly the way in which I myself







1 look at it.

2 I have a suspicion that this has not satisfied  
3 you but I do not know if there is anything more I can  
4 say other than this.

5 COMMISSIONER BROWN: Is there not a basic  
6 difference where bank deposits as such are acceptable  
7 as cash or currency alternatives and I cannot see  
8 that this falls into the same category as far as your  
9 central is concerned?

10 MR. GOUNDREY: This is the question of  
11 who will accept it. It is quite true that bank cheques  
12 are more easily acceptable now than they used to be,  
13 and therefore you can look upon a bank deposit as being  
14 closer to cash than it used to be.

15 COMMISSIONER BROWN: This is because they  
16 are closer to the lenders of last resort?

17 MR. GOUNDREY: No, most of the people who  
18 accept my cheque have no idea that the Bank of Montreal  
19 can borrow from the Bank of Canada. This is not the  
20 question. At the next stage you may say that ultimately  
21 the liquidity of our banking system, subject to various  
22 little difficulties, is dependent upon and rests in the  
23 final analysis on the Bank of Canada and this gives  
24 them, if you like, as the lender of last resort a source  
25 of liquidity which other people do not have. But  
26 I am not sure that this is paramount in the minds of  
27 the people who look upon these two types of resources  
28 and I am sure I do not myself look upon my deposit in  
29 the bank as being liquid merely because the Bank of  
30





1 Canada at this time -- at this time, this can be changed  
2 any time --

3 COMMISSIONER GIBSON: Perhaps it could be  
4 pointed out that the banks carry quite a large pro-  
5 portion of cash liquid assets.

6 MR. GOUNDREY: So they do. I do not know  
7 how liquid all these assets are.

8 COMMISSIONER BROWN: But the banks do carry  
9 a large proportion of cash on a short term basis.

10 MR. GOUNDREY: Are you sticking to cash or  
11 deposits in the Bank of Canada?

12 COMMISSIONER BROWN: Till money and deposits  
13 in the Bank of Canada.

14 MR. GOUNDREY: Deposits in the Bank of Canada,  
15 how liquid are these? This depends upon another  
16 organization and not the bank that I deal with.

17 COMMISSIONER BROWN: I am afraid we will  
18 not accept that because the Bank of Canada has the option  
19 of creating it.

20 MR. GOUNDREY: I quite agree that the Bank  
21 of Canada is very, very liquid and as a result of these  
22 associations with the chartered banking system that  
23 makes the chartered banking system very, very liquid.  
24 I do not believe this is why people accept my cheques.

25 COMMISSIONER GIBSON: I was going to say  
26 surely you accept deposits with the Bank of Canada  
27 as cash. The Bank of Canada has the ultimate power  
28 of creating money legally.

29 MR. GOUNDREY: I would not say this had  
30







1 anything to do with the people who accepted my cheques.  
2 The acceptability of the cheques is quite a different  
3 matter.

4 COMMISSIONER BROWN: You were talking about  
5 the cash deposits that are retained by, say, the Bank  
6 of Montreal but on a consolidated basis this is not  
7 true in the credit union movement, is this not correct?

8 MR. GOUNDREY: Well, it depends what you  
9 mean by the consolidated basis in the credit union  
10 movement -- the centrals?

11 COMMISSIONER BROWN: The centrals and their  
12 members.

13 MR. GOUNDREY: For the centrals and the  
14 members of the centrals?

15 COMMISSIONER BROWN: Yes.

16 MR. GOUNDREY: Well, this is a slightly  
17 different proposition. If we look at the central  
18 as opposed to the bank as a source of funds or my  
19 liquid assets now it is quite true that if you assume  
20 that the Bank of Canada is at all times going to keep  
21 the chartered banking system liquid and that they are  
22 not going to do this for the credit union movement  
23 then, of course, there is difference in the ultimate  
24 liquidity of the group.

25 COMMISSIONER GIBSON: But that is not a  
26 reasonable assumption.

27 MR. GOUNDREY: It is not a reasonable  
28 assumption?

29 COMMISSIONER GIBSON: That the Bank of Canada  
30 is always going to keep the banks liquid because that





1 is their job, to keep themselves liquid.

2 MR. GOUNDREY: And we feel that this is  
3 our job too, to keep ourselves liquid and I think  
4 we have been doing this.

5 COMMISSIONER BROWN: But not on a consolidated  
6 basis.

7 MR. GOUNDREY: The consolidation basis --  
8 again in any case at any time the local credit union  
9 does not have to deposit anything with the central.  
10 I mean this is a matter of choice.

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1 They will only deposit with the central if they think  
2 it is liquid. If they thought it was not liquid,  
3 no manager of a credit union would put his funds in an  
4 illiquid place, he would put it in the bank.

5 COMMISSIONER BROWN: It is accepted as a  
6 legal depositor under the Act.

7 MR. GOUNDREY: Oh, yes.

8 COMMISSIONER BROWN: Let us take British  
9 Columbia, for an example. It is accepted as a legal  
10 depositor under the Act.

11 MR. GOUNDREY: It is an alternative which is  
12 open to him, but you do not have to use it unless you  
13 feel as a manager that it is just as good.

14 COMMISSIONER BROWN: Let us look at the  
15 1960 figures for British Columbia, just to use some  
16 figures with out trying to draw concrete conclusions  
17 from this as far as whether the percentages are right  
18 or not, but more as a measure of it.

19 On page 58 ---

20 MR. GOUNDREY: I am sorry, are you in the  
21 brief?

22 COMMISSIONER BROWN: In the brief, yes.  
23 This shows that British Columbia credit unions had  
24 \$9.4 million in cash.

25 MR. GOUNDREY: Yes, cash and deposits; including  
26 deposits with central.

27 COMMISSIONER BROWN: That is right. We learn  
28 in paragraph 112 that of that \$9.4 million, \$8.7  
29 million are at central?.

30 MR. GOUNDREY: That is right.







1 COMMISSIONER BROWN: So the cash remaining  
2 with the unions then was \$.7 million.

3 MR. GOUNDREY: Yes.

4 COMMISSIONER BROWN: And there was \$1.5 million  
5 cash in central?

6 MR. GOUNDREY: Yes.

7 COMMISSIONER BROWN: The second line of paragraph  
8 110 shows that.

9 MR. GOUNDREY: Yes.

10 COMMISSIONER BROWN: So the total cash available  
11 to the movement was \$.7 million plus \$1.5, or \$2.2 million.  
12 Is that arithmetic correct?

13 MR. GOUNDREY: I think so.

14 COMMISSIONER BROWN: Similarly, of the  
15 investments of the credit unions \$2.5 million we learn  
16 from paragraph 112 that \$1.1 million was invested in  
17 central?

18 MR. GOUNDREY: In shares, yes.

19 COMMISSIONER BROWN: So the outside investment  
20 placed in central was the \$1.4 million in the unions  
21 plus \$1.7 in central, a total of \$3.1, so we have the  
22 \$2.2 cash and \$3.1 investment which gives \$5.3, which is  
23 about in line with the standard that you have measured,  
24 \$5.5.

25 MR. GOUNDREY: Yes. This, of course, means  
26 that you are striking out the assets and liabilities  
27 and going in the two directions between the centrals.

28 COMMISSIONER BROWN: Yes, because we are talking  
29 about cash available, we are not talking about cash  
30 we can get tomorrow from somebody else by calling in a





1 loan.

2 MR. GOUNDREY: Yes, this is cash available.

3 COMMISSIONER BRWON: Yes, cash available  
4 in the system.

5 MR. GOUNDREY: Do you feel this is low?

6 COMMISSIONER BROWN: No, I am just saying,  
7 to my mind this is a more correct measurement than  
8 the figures that appear here. I am not saying it  
9 is low. I am not saying that at all and I do not  
10 want anyone to infer that.

11 MR. GOUNDREY: I am sorry, I misunderstood  
12 you. It is true, if you measure the cash which is  
13 available here, this is the right way of measuring it.

14 COMMISSIONER BROWN: Yes, that is what I wanted.

15 MR. GOUNDREY: But cash has nothing to do  
16 with the over-all liquidity.

17 COMMISSIONER BROWN: We will come to that  
18 after a moment.

19 This is the cash that is in the system, you  
20 will agree with that?

21 MR. GOUNDREY: This is the cash which apparently  
22 we are holding, that is right.

23 COMMISSIONER BRWON: Yes, that is what I wanted.

24 COMMISSIONER MACKINTOSH: Cash, not total  
25 liquidity. I would not want to state that cash has  
26 nothing to do with liquidity.

27 MR. GOUNDREY: This is why we accept  
28 the liquidity of the central bank; these are promises  
29 to pay by the central bank, and we accept this.

30 COMMISSIONER BROWN: In paragraph 130 you







1 refer to fresh sources of liquidity, and these are  
2 factors which enter into liquidity; the short-term  
3 nature of the loans?

4 MR. GOUNDREY: Yes.

5 COMMISSIONER BROWN: Would you comment as to  
6 whether you consider this as being liquidity in itself  
7 or a measure of the necessity for a cash liquidity?

8 MR. GOUNDREY: This represents the amount of  
9 cash you have to have.

10 COMMISSIONER BROWN: Yes, that is right.

11 MR. GOUNDREY: Whatever meaning we put on  
12 liquidity here, if I had as our chartered banks have  
13 a specific amount of treasury bills which were going  
14 to be paid in a very short period, this adds to my  
15 liquidity, although it does not change my cash position.

16 COMMISSIONER BROWN: That is right.

17 MR. GOUNDREY: The short-term nature therefore  
18 means, in your earlier terms, the amount of cash we  
19 have to hold in order to have to be liquid is less  
20 than if we had long-term investments.

21 COMMISSIONER BROWN: Yes.

22 Now then the second one is borrowing power.

23 MR. GOUNDREY: Yes, this is , of course,  
24 perhaps the greatest source of liquidity for most of  
25 our financial institutions.

26 COMMISSIONER BROWN: But again would you care  
27 to comment on whether or not this is in fact merely  
28 an expedient for enabling you to get in funds from  
29 other sources to which you have right?

30 MR. GOUNDREY: No, this means the extent to which



1 we can still remain perfectly liquid without holding  
2 larger and larger proportions of firm outright cash.  
3 This depends upon the extent to which we can borrow.  
4 In other words our liquidity is improved in the same  
5 way as it is because of our having short-term paper.

6 COMMISSIONER BROWN: Except to this extent,  
7 surely, that borrowing power is a short-term expedient?

8 MR. GOUNDREY: It may not be. We normally  
9 use it this way, yes, but it would be an expediency  
10 on short rather than because of liquidity. All this  
11 is on short, not on long, and the liquidity needs are  
12 matched by our other assets. We do not go on long  
13 liquidity.

14 COMMISSIONER BROWN: Also the other factor  
15 surely is that there is no right to borrow within the  
16 credit union movement from outside the movement?

17 MR. GOUNDREY: That is ture, there is usually  
18 no right.

19 COMMISSIONER BROWN: There is no right to  
20 borrow.

21 MR. GOUNDREY: No.

22 COMMISSIONER BROWN: So this exists only  
23 so far as you have a privilege?

24 MR. GOUNDREY: Well, I am sorry but this is  
25 true of almost everyone. Practically no one has a  
26 right to borrow.

27 COMMISSIONER BROWN: Except, strangely enough,  
28 the chartered banks.

29 MR. GOUNDREY: I recognize they have the  
30 right to borrow.





1 COMMISSIONER BROWN: I was not implying anything  
2 wrong with that, but this is another measure, the  
3 access to the lender of last resort.

4 MR. GOUNDREY: It is true, there are other  
5 people who, under existing legislation at this time  
6 but with no guarantee that this will continue, have a  
7 right to borrow.

8 COMMISSIONER BROWN: Yes, but this is borrowing  
9 in the market.

10 MR. GOUNDREY: We have never had to use this  
11 particular <sup>thing</sup>. There is always, of course, moral pressure  
12 on any individual organization within the movement  
13 that if someone else gets in trouble, you may have the  
14 right to borrow from anyone who is in excess.

15 COMMISSIONER BROWN: This refers to lines  
16 of credit with the chartered banks.

17 MR. GOUNDREY: Lines of credit we have put  
18 in in most cases, yes.

19 COMMISSIONER BROWN: The third one which I  
20 find a little difficult in understanding is, having no  
21 firm obligation to make loans adds to your liquidity.

22 MR. GOUNDREY: Yes. Well, in many cases, as  
23 has been pointed <sup>out</sup> / in various sections of the brief,  
24 there are loans which are paid back, and as loans are  
25 paid back you become more liquid. It is because of  
26 the inflow of cash. If you feel, as in the one case  
27 we mentioned before, Britannia Beach, when it found  
28 itself in the case of the credit unions and the Copper  
29 Mine, that the company is going to close up, you may  
30 decide to get into cash. The way in which you move into







1     or become very liquid to face this sort of emergency  
2     is to hold back on loans and have repayments coming  
3     in.

4             COMMISSIONER BROWN: Surely this is Item  
5     (a) and not Item (c)?

6             MR. BOUNDREY: That is right. Item (a) is  
7     only part of it. Just as we have no right, no one  
8     else has a right to borrow from us. Therefore, we  
9     could have perhaps grouped (a) and (c) together, but  
10    (a) is not quite enough by itself. If we had a formal  
11    obligation to write loans; if we entered into a contract  
12    to make loans we would become much less liquid in this  
13    sense than if we did not have this obligation.

14            COMMISSIONER BROWN: Referring to paragraph  
15    131, this again has qualitative judgment, has it not?

16            MR. GOUNDREY: That is right, except that there  
17    is some evidence of this again in credit unions which  
18    get into difficulties. You do not normally get a  
19    great rush of members to withdraw shares and deposits.  
20    This is the big difference between what we were quarrelling  
21    with Dr. Mackintosh about this morning in respect to  
22    the American banks in periods of wild runs on the banks.  
23    The members of credit unions feel a different obligation  
24    than the depositor in a bank.

25            COMMISSIONER BROWN: I would like you to express  
26    an opinion as to whether this is really increased  
27    liquidity or really is a factor in the measuring of  
28    the cash you need to retain? It is not a measure of  
29    positive liquidity, is it?

30            MR. GOUNDREY: I think it is a measure of





1 positive liquidity given in the amount of cash which  
2 you are holding, but it also probably means that you  
3 can reduce the proportion of cash which you have to hold.  
4 So, if you want to measure it one way you get one answer,  
5 the other you get the other. Most of our experience  
6 has been in pretty good times except for some local  
7 areas when we had difficult times for years and particular  
8 credit unions got into difficulties.

9 I think you can get some insight into the  
10 strength of this movement when you talk to the people  
11 from the Caisses Populaire, because they did go through  
12 the depression and weathered it very well. This took a  
13 tremendous amount of individual restraint on the part  
14 of the members.

15 This experience can be shown in other parts  
16 of the country where credit unions have had to rely upon  
17 their members to be restrained.

18 I think this is a very real factor but I would  
19 not like to say I could reduce cash 3 per cent as the  
20 result of this, as opposed to something else.

21 COMMISSIONER LEMAN: Professor, Commissioner  
22 Brown was discussing the measurement of liquidity there.  
23 I do not think we should introduce too many vague factors  
24 in the measurement of the liquidity from the point of  
25 view of making a financial analysis.

26 MR. GOUNDREY: That is true.

27 COMMISSIONER LEMAN: He is talking about  
28 financial analyses.

29 Supposing at one point you have not borrowed  
30 from the chartered bank and you have a certain amount of







1 cash and a certain amount of liquid investment.

2 MR. GOUNDREY: Short-term investment.

3 COMMISSIONER LEMAN: Now, supposing three months  
4 later you have borrowed from the chartered bank.

5 MR. GOUNDREY: Yes.

6 COMMISSIONER LEMAN: You have X cash in the  
7 business, how would you measure your liquidity at the  
8 second point in time as compared to the first point  
9 in time?

10 MR. GOUNDREY: Well, the way in which you  
11 would normally measure this is to say how much can  
12 we borrow from the bank? If you say we can borrow  
13 \$6 million, then this sits in the background as a bit  
14 of liquidity which we have. When you come along later  
15 we have already used up \$3 million of that.

16 COMMISSIONER LEMAN: Yes.

17 MR. GOUNDREY: We do not have the liquidity  
18 after we have borrowed that we had before we borrowed.

19 COMMISSIONER LEMAN: Well, would you deduct  
20 \$ 3 million?

21 MR. GOUNDREY: You would from this background  
22 liquidity, but this does not change your cash liquidity  
23 position to the same proportion.

24 COMMISSIONER LEMAN: We are talking about total  
25 liquidity.

26 MR. GOUNDREY: Total liquidity is a very, very  
27 difficult thing to measure. Cash liquidity is easy  
28 to measure but total liquidity is very difficult to  
29 put in specific terms.

30 COMMISSIONER LEMAN: We cannot pass judgment,





1 Professor, on whether we think your measurements of  
2 liquidity are adequate or not unless you tell us  
3 exactly how you measure them. We have got to understand  
4 how it is measured.

5 MR. GOUNDREY: Here I have to just reply by  
6 saying that you have as a member of the Commission  
7 someone who does worry about this liquidity month  
8 to month and year to year. There is no precise measure-  
9 ment of this. It is an element of judgment on the  
10 part of the manager. There are certain times when  
11 you do not feel it is very liquid and there are other  
12 times when you feel it is very liquid under the same  
13 set of circumstances. You have less liquidity in one  
14 time than another frequently because of your expectations.  
15 If you are a good manager your expectations are pretty  
16 close and your liquidities are kept in mind. In this  
17 regard you can use pretty rough and ready measures,  
18 such as your rate of saleables and marketable securities.  
19 We know they will be less in one week than in another  
20 week.

21 COMMISSIONER LEMAN: Which is the best judge  
22 of liquidity, the manager of the organization or an  
23 outsider who looks at the statements of the organization?

24 MR. GOUNDREY: If you always had well reasoned  
25 judgment on the part of the manager and he had an  
26 intimate knowledge of the concerns of his business  
27 and you knew he was responsible as a manager and could  
28 act safely; on this premise you would say the manager.  
29 If you could not take this premise as being always  
30 true, or if you felt that the manager was unable to





1 take into account certain considerations which the  
2 outsider could take into account then you might go  
3 for the outsider as well.

4 COMMISSIONER LEMAN: What I had in mind was that  
5 a few minutes ago you told us that a union would  
6 not put its liquidity reserves in a central if it  
7 felt the central was not liquid enough. Supposing  
8 the central said: I am managing this, why do you not  
9 let me tell you if I am liquid enough or not.

10 MR. GOUNDREY: This would not go over very  
11 well. It is true that you might get an element of  
12 this, but here again the idea of liquidity has to be  
13 looked at from two ways. The question as to whether  
14 or not you will have a runover at central and have  
15 all their deposits withdrawn depends on how the depositor  
16 looks at the central.

17 COMMISSIONER BROWN: I think the confusion has  
18 arisen because you are measuring this in the terms  
19 that I would measure, and I am looking at liquidity  
20 as a tangible measurement.

21 MR. GOUNDREY: This is something we have to  
22 admit. You could say the amount of tangible liquidity  
23 we have to hold is less given certain intangibles than  
24 otherwise.

25 COMMISSIONER BROWN: You are talking about  
26 liquidity in terms of intangible measure and I am talking  
27 in terms of objective liquidity.

28 MR. GOUNDREY: Yes, this must be matched  
29 to the needs for liquidity.

30 COMMISSIONER BROWN: Exactly.







1 MR. GOUNDREY: That is what our chartered  
2 banks need now in terms of liquidity. Now that we  
3 have the central bank they need considerably less  
4 than they would have needed in the absence of that  
5 bank.

6 COMMISSIONER BROWN: But only at the same  
7 time operating at some very definite objective measure-  
8 ment for liquidity. My question now is, would this  
9 be suitable in the credit union movement in respect  
10 to an objective measurement of liquidity?

11 MR. GOUNDREY: In many cases we have an  
12 objective measurement. That is, you must hold a certain  
13 proportion in a given form. This is in the statutes.  
14 It is laid down just as it is in the banks. You must  
15 hold it in a certain proportion.

16 COMMISSIONER BROWN: My question is, would  
17 you consider this to be a good thing? What would be your  
18 attitude toward an objective measurement in respect  
19 to minimum liquidity requirements on a consolidated  
20 basis?

21 MR. GOUNDREY: We would object to a measure  
22 which we thought was meaningless. If you create a  
23 measurement which has some meaning in terms of the  
24 way in which the organization functions then I do  
25 not think we would have much objection. At least,  
26 I cannot see any reason for an objection.

27 COMMISSIONER BROWN: Let us use figures. For  
28 the sake of argument, in British Columbia it was  
29 required that on a consolidated basis they must have  
30 a minimum cash liquidity of X per cent.





1 MR. GOUNDREY: For the credit unions?

2 COMMISSIONER BROWN: Yes.

3 MR. GOUNDREY: Here I would not like to  
4 hazard a guess because I do not even know what the  
5 individual credit unions now hold. This is up to  
6 the manager. He may find he has credit depositors to  
7 the extent that he does not need to keep anything  
8 like X dollars in cash. In that event you would just  
9 be squandering his resources by enforcing these require-  
10 ments. He may never need this much.

11 COMMISSIONER BROWN: That is right.

12 MR. GOUNDREY: I am not sure, with the given  
13 complexity of this, and the complexity of the setup,  
14 that you could arrive at a figure which would not hurt  
15 some groups.

16 COMMISSIONER BROWN: This exists in other  
17 finance institutions, that is the point.

18 MR. GOUNDREY: Yes, but many other finance  
19 institutions do this on a consolidated basis. Whereas  
20 we cannot consolidate. These are autonomous credit  
21 unions. We are not a head office for anything. We  
22 cannot direct a certain credit union to give us  
23 \$10,000 of their inflow of cash because we want to  
24 put it over here. They would laugh at us.

25 COMMISSIONER BROWN: Well, put it this way --

26 MR. GOUNDREY: Well, they would not laugh either,  
27 as a matter of fact.

28 COMMISSIONER BROWN: Well, this in effect  
29 exists now. If, for example, half of that same liquid  
30 ratio; the cash liquid required by the central were varied,







1 or this privilege of counting the cash in the central  
2 were taken away, for example?

3 MR. GOUNDREY: I do not think taking this  
4 away would substantially affect the local credit unions,  
5 except it would affect them to the extent in which  
6 the funds were used for credit unions purposes.

7 COMMISSIONER BROWN: Do you see this as the  
8 surplus funds above the minimum that would be available?

9 MR. GOUNDREY: They may be surplus funds.  
10 The other thing I think we should be clear on here is that  
11 it is quite reasonable to expect that a central which  
12 operates for a whole province maintains a certain type  
13 of ratio; a certain type of conventional ratio because  
14 it is dealing with a large number of units, and it is  
15 dealing as a single independent operation.

16 COMMISSIONER BROWN: I should like to emphasize  
17 that this is a matter of opinion. This is your opinion?

18 MR. GOUNDREY: No. I mean it is an operation  
19 in itself. When you consolidated, all these credit  
20 unions <sup>are</sup> not really operations. We are looking at them as  
21 a whole group of independent autonomous organizations.  
22 We do not do this. I am not sure how this operates,  
23 because banking is a bit of a mystery to me, but I would  
24 very much doubt if every single branch bank had the  
25 proportions which you find in the consolidated sheet.  
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1 COMMISSIONER BROWN: This is the point.

2 MR. GOUNDREY: So the consolidated sheet  
3 actually meant something because of the relationship  
4 between the branches. In our case this does not  
5 mean that. These people are autonomous. You can  
6 have a good deal of cash and it may be in one of the  
7 credit unions and then you will look in this sheet  
8 and say that according to the consolidated sheet this  
9 is a nice liquid movement. It is not liquid at all.  
10 I do not think this consolidation has this meaning.

11 COMMISSIONER BROWN: At least there will  
12 be more cash in the system than there is now?

13 MR. GOUNDREY: Well, I do not think it  
14 would mean anything; it would not mean any more  
15 cash was available to any given credit union.

16 COMMISSIONER BROWN: There will be some  
17 in the system because at the moment -- if every credit  
18 union put all of their cash in central -- in other  
19 words, they each put their 5 per cent in central --  
20 and decided they did not need to keep any and central  
21 only needed 5 per cent of that, there would only be  
22 .25 overall.

23 MR. GOUNDREY: In cash, yes, that is true.  
24 There cannot be any quarrel with adding up the cash,  
25 that is true, but once again I am not sure just what  
26 the meaning is. if you start consolidating unlike  
27 things and adding them up.

28 COMMISSIONER BROWN: Well, you have given  
29 me your answer that it is not practical.

30 COMMISSIONER MACKINTOSH: There is no fault





1 in the consolidation; I think your contention is physically  
2 that you have sufficient control and influence for the  
3 two flows, matching assets and liabilities, and that  
4 you can afford to hold cash or near cash on a much  
5 lower proportion of volume than other types of financial  
6 institutions?

7 MR. GOUNDREY: Yes.

8 COMMISSIONER MACKINTOSH: That is your basic  
9 contention?

10 MR. GOUNDREY: It is the basic ---

11 COMMISSIONER MACKINTOSH: It is easy to read  
12 off a figure of how much cash or near cash you have,  
13 but your contention is that these flows -- the unevenness  
14 with which you use your cash to match -- are so controlled  
15 that you do not need very much cash? Whether that is  
16 true or not, I do not know.

17 COMMISSIONER BROWN: This is again the questioning  
18 of the measurement of the need for the liquidity.

19 COMMISSIONER MACKINTOSH: If you were really  
20 smart you would not need any cash at all.

21 MR. GOUNDREY: You are getting down to the  
22 amount of till cash which a bank needs because of the  
23 inflow and outflow of cash, but if you could balance  
24 these things exactly you would not need any till cash  
25 at all; the bank would not require any till cash at  
26 all.

27 COMMISSIONER BROWN: This is not a happy  
28 position.

29 MR.. GOUNDREY: No, you have to hold a few  
30 coppers underneath the counter.







1 COMMISSIONER BROWN: But there was evidence  
2 that certain lending institutions do have minimum  
3 cash requirements?

4 MR. GOUNDREY: Yes.

5 COMMISSIONER BROWN: And this credit union  
6 movement -- we saw that it was 15 per cent of the  
7 present savings deposits. Is the time coming for the  
8 various reasons that I enunciated, and possibly one or  
9 two others, when consideration should be given to the  
10 establishment of minimum cash requirements?

11 MR. GOUNDREY: I would not like you to  
12 get the impression that consideration has not been  
13 given to it. Consideration is being given to this  
14 by the leagues and the centrals and the association  
15 pretty regularly, and this has been going on for many  
16 years and it is not just something that goes on where  
17 it is big; many of these credit unions were pretty  
18 big ten years ago and they were concerned then with  
19 this question and we do not have too much evidence of  
20 individual credit unions getting into cash difficulties,  
21 but where they do get into cash difficulties, as we  
22 say, other methods of keeping them liquid have been  
23 evolved and developed and the centrals are part of this.

24 COMMISSIONER BROWN: This brings up one  
25 small point on this and I would like to get your  
26 opinion on it. If a credit union has run down in  
27 cash and requires to raise its cash ratio and it  
28 borrows from central or central creates a debit on  
29 its books, this has restored the cash ratio required  
30 of the credit union?





1 MR. GOUNDREY: As measured, yes.

2 COMMISSIONER BROWN: And yet there is no  
3 additional cash in the system at all?

4 MR. GOUNDREY: Well, the system hasn't any  
5 meaning in this sense; that is the difficulty.

6 COMMISSIONER BROWN: Put it this way; there  
7 is no additional till money or bank deposits in the  
8 system, nothing has happened except the book entries  
9 and this credit union which was not up to its legal  
10 requirements is now up to its legal requirements.

11 MR. GOUNDREY: We are not talking about  
12 legal requirements, we are talking about it being  
13 short of cash.

14 COMMISSIONER BROWN: It is short of its  
15 5 per cent liquid requirement.

16 MR. GOUNDREY: All right. So, it gets  
17 cash from the central and central has now loaned it  
18 cash ---

19 COMMISSIONER BROWN: It has a statutory  
20 requirement of 5 per cent on deposit in a bank for  
21 central and at the moment because of loans its cash  
22 on deposit in the bank or in till money is down to  
23 one per cent and it has no deposit at central.

24 Now, to bring its local requirements up  
25 is it true to say that all that is necessary is for  
26 it to borrow the 4 per cent at central and you have  
27 created by book entry on central a loan to this credit  
28 union and a credit to their cash account?

29 MR. GOUNDREY: No, it is much more involved  
30 than this.







1 COMMISSIONER BROWN: And no cash moves.

2 MR. GOUNDREY: One of the very important  
3 things that would happen here in most cases is that  
4 you may have an assignment of book accounts, in which  
5 case central would change its asset holdings.

6 COMMISSIONER BROWN: Yes.

7 MR. GOUNDREY: And to match up with a  
8 change in liability.

9 COMMISSIONER BROWN: That is right.

10 MR. GOUNDREY: But it would usually take  
11 over some of the -- the assignment, again, of the  
12 assets.

13 This means that as far as that local credit  
14 union is concerned, assuming it has the legal reserve  
15 of 5 per cent, and so on, it would have converted from  
16 illiquid to liquid assets because it can draw on  
17 central at any time, so it is accordingly the same  
18 as any organization which is shifting its assets from  
19 those which are less liquidable to those which are  
20 more liquidable.

21 COMMISSIONER BROWN: But nobody asks that  
22 it be taken outside of the system at all.

23 MR. GOUNDREY: Not on the first operation.

24 COMMISSIONER BROWN: So, the people that  
25 were not up to their liquid standard are now up to it.  
26 I just wanted to get it clear that that was the way it  
27 was.

28 MR. GOUNDREY: You must assume that there  
29 is some excess liquidity somewhere else. Everybody  
30 cannot be at this stage and one fall below and the whole





1 system has to break and you have to get a cash inflow.  
2 If central was at its legal requirement exactly under  
3 the statute and somebody failed terribly and central  
4 decided to make a loan to allow him to get up to the  
5 required amount, central would be then below its  
6 requirements and there would have to be a cash inflow.

7 COMMISSIONER BROWN: But only a 5 per cent  
8 credit on the books.

9 MR. GOUNDREY: Whatever is required, yes;  
10 whatever is required to keep the thing liquid.

11 COMMISSIONER BROWN: The other thing on  
12 which I gather you have had some thoughts is the question  
13 of relatively various maturities, on investments, their  
14 relative liquidity and I gather that this is a process  
15 that is under study and recommendations to the various  
16 centrals.

17 MR. O'CONNELL: It is a continuing study.

18 MR. GOUNDREY: It is constantly under study.  
19 I am not sure if you are referring to a more recent  
20 study.

21 COMMISSIONER BROWN: I think it was mentioned  
22 in here somewhere but I cannot find the particular  
23 reference.

24 MR. GOUNDREY: Well, I am sorry I cannot  
25 help you out because I cannot ---

26 COMMISSIONER BROWN: I think it is paragraph  
27 142.

28 MR. GOUNDREY: That is true.

29 COMMISSIONER BROWN: It has been drawn to  
30 my attention that 342 in the summary makes reference to it.





1 Now, what has occurred to me as being a little peculiar  
2 on this is the building up of reserve funds for  
3 emergencies, but apparently because the emergencies  
4 are not regarded as being very close there is an  
5 assumption you can therefore take in illiquid  
6 securities.

7 MR. GOUNDREY: I think in the summary there  
8 is a statement of the tax of reserves which we are  
9 holding and the liquidity ---

10 COMMISSIONER BROWN: Where is that?

11 MR. GOUNDREY: In the summary, page 12  
12 of the summary, and we have guarantee reserves and  
13 liquid reserves and the seasonal surpluses. It  
14 is page 12 of the summary.

15 When we say that it is under continuing  
16 study, we mean the various types of reserves and  
17 the reasons why we are holding the reserves differ  
18 from one year to the next and from one province to  
19 the next and actually within the credit unions, and  
20 you are constantly revising the idea of what is a  
21 seasonal surplus, for example. Sometimes it is big  
22 and sometimes small, and sometimes it is needed and  
23 sometimes it is not needed, and you begin when you  
24 move -- when you are developing these things you  
25 begin to get knowledge of what you are doing and slowly  
26 you begin to develop some knowledge and often perhaps  
27 you were holding more in a liquid form than you had  
28 to hold. I think this is the only sense in which we  
29 refer to this in this case as being subject to con-  
30 tinual study and modification.







1 COMMISSIONER BROWN: And this is becoming  
2 a continuing source of education?

3 MR. GOUNDREY: It is a growing source to  
4 many of the managers, particularly as reserve funds  
5 grow and they are becoming -- well, let us express  
6 it this way; they are even seeking much more pro-  
7 fessional advice from the management of portfolios  
8 than they previously did. This is becoming common  
9 throughout the country when any large portfolios are  
10 being held.

11 COMMISSIONER BROWN: In other words, an  
12 increasing recognition of the difference between the  
13 investment on reserve funds and his investment per se.

14 MR. GOUNDREY: Some of these reserves carry  
15 some of the form of investment; this is a peculiarity  
16 of the terminology and your guarantee reserves, for  
17 example, really have a call on them, but there is not  
18 any likelihood you will be called. Originally you  
19 think you may have a call on those when you set those  
20 reserves up and you build them up so you can call on  
21 them, and then you discover you have built up a  
22 reserve that does not have day to day calls.

23 In the process of building it up you wonder  
24 whether or not your original expectations were reached,  
25 when in the case of guarantee reserves they have become,  
26 as far as practice is concerned, subject to practically  
27 no calls and therefore you go out then into pretty long  
28 term investments.

29 COMMISSIONER BROWN: But if these are emergency  
30 reserves, would not one of the points be to bear in mind





1 in building them up that the definition of an emergency  
2 is that it comes when you least expect it and cannot  
3 anticipate it?

4 MR. GOUNDRY: This is where the centrals  
5 have come into it and that is that the type of emergency  
6 which is likely to arise -- the type of emergency which  
7 is likely to arise in an individual credit union and  
8 would require a drain on the funds is not likely to also  
9 be general and therefore, well, if you keep all of this  
10 in the local you might have to keep their liquid reserves  
11 all over the place and for the type of emergency you  
12 are attempting to deal with you do not need all these  
13 reserves, you can put them all together through the  
14 centrals and then go into less liquid types and still,  
15 as far as each individual credit union is concerned  
16 you have sufficient liquidity so that they are perfectly  
17 liquid as far as the individual group is concerned  
18 and another central may be able to put them into quite  
19 long term funds.

20 Now, this is dependent upon the type of  
21 emergency; it is a pool and the pooling of certain types  
22 of reserves takes away the risk altogether. For some  
23 of these things that is what has happened; there is  
24 a risk for the individual credit union, but when you  
25 pool these the risk disappears. This is a standard  
26 procedure.

27 COMMISSIONER LEMAN: I hate to question  
28 you about this, but I do not think you can be heard  
29 up there by the audience.

30 MR. GOUNDRY: This may be deliberate!







1 To answer your question, if you look at  
2 the nature of the reserves you will realize the type  
3 of risk which you are facing and it may be of the  
4 type which is largely eliminated when you pool it,  
5 and therefore if you hold this reserve in centrals --  
6 well, it is a standard insurance type operation.

7 COMMISSIONER MACKINTOSH: You need to amend  
8 that a bit in so far as your demands on central occur  
9 at different times and therefore the same reserve,  
10 so to speak, can be used to serve various locals and  
11 the need for liquidity is reduced, but you must take  
12 into account that the liability to the local is much  
13 more a demand liability than the liability which the  
14 local has to its members and a less controlled liability  
15 because it is the local's reserve.

16 MR. GOUNDREY: That is true.

17 COMMISSIONER MACKINTOSH: And in the other  
18 case it is only the fellow that shares the deposit,  
19 and so on, and you say you can control this but the  
20 demand on central is a more -- so to speak -- a more  
21 liquid demand?

22 MR. GOUNDREY: As far as --

23 COMMISSIONER MACKINTOSH: And it is the  
24 opposite to your pooling -- I do not say it is the  
25 complete opposite, but one is plus and the other  
26 is minus.

27 MR. GOUNDREY: I would not like to give  
28 the impression on the same matter where we had reserves  
29 but as far as the individual act is concerned that this  
30 is not perfectly liquid. The individual act is so





1 small relative to the total that it is perfectly liquid  
2 as far as this man is concerned.

3 COMMISSIONER BROWN: It is a measurement  
4 of the risk involved in the emergency against which  
5 you are protecting, and you have been going through  
6 a period in the last 20 or 25 years during which there  
7 have not been any general emergencies and therefore  
8 there is sometimes a tendency to look at the statistics  
9 for that period and assume ---

10 MR. GOUNDREY: Yes, it is a problem that  
11 we may have to face, of course, because most of our  
12 statistics are in this nice glorious period.

13 COMMISSIONER BROWN: I wonder just to what  
14 extent the retention of emergency funds in this form  
15 is really in the best overall interest? This is a  
16 very valid question.

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1 MR. GOUNDREY: Well, it is also a very valid  
2 question, but it is not something one can hazard a guess  
3 on except that for the various reasons we have stated  
4 in the brief we feel our liquidity position, however  
5 it may appear, and even given the nice times we have  
6 had in the past -- we have not had uniformly nice  
7 conditions: We have had credit unions in Elliot Lake  
8 and Britannia Beach, and in the Maritimes and in the  
9 West, and things are not quite as rosy if you start  
10 looking at the economy as a whole. Taking all these  
11 factors into account we obviously think these are adequate,  
12 otherwise we would be incompetent in managing our  
13 own affairs, and we don't feel we are. We may/<sup>be</sup>over-  
14 optimistic: That is something you will have to judge.  
15 It is not something I would hazard a guess on.

16 COMMISSIONER GIBSON: I have a few questions  
17 on the subject of monetary policy and responses of  
18 the credit unions to monetary conditions. On page 112,  
19 paragraph 257, you give a general assessment of the  
20 main objectives of economic policy as you see them:  
21 Maintaining a reasonably full level of employment;  
22 containing inflation, promoting economic growth and  
23 insuring a fair division of the comforts and necessities  
24 of life.

25 Would you care to say something about the  
26 priorities in these objectives, and how you would  
27 stress them under varying conditions? Let me add perhaps  
28 that sometimes these objectives appear to be a little  
29 in conflict, and this is the real problem that arises.

30 MR. GOUNDREY: I would suspect almost all of







1    them are in conflict at different times and certainly  
2    in some areas they are in conflict. In terms of  
3    priorities we have stated these as social objectives.

4           COMMISSIONER GIBSON: Well, they are objectives  
5    of monetary policy; you say they fit into the capital  
6    market system.

7           MR. GOUNDREY: We say that a proper functioning  
8    of the capital market is essential to this, but in  
9    terms of priorities we have at different times -- some  
10   of these become more or less important. In other words,  
11   containing inflation may be the crucial objective  
12   at one time, in which case we would expect monetary  
13   and fiscal policy at that time ---

14          COMMISSIONER GIBSON: Perhaps the other  
15   objectives lose a little bit if this is the really urgent  
16   problem at the moment, and similarly if the most urgent  
17   problem were serious unemployment, do you see the other  
18   objectives bending a little bit?

19          MR. GOUNDREY: That is right.

20          COMMISSIONER GIBSON: So you don't regard any  
21   of these things as absolute; they are desirable, but  
22   you have to look at the circumstances?

23          MR. GOUNDREY: That is true. It is, however,  
24   also a part of our contention that you should not  
25   unnecessarily restrict any of these other objectives.  
26   In other words, it is very fine to say in a period of  
27   unemployment or a period of inflation, "Inflation is  
28   the burning issue." There should be techniques of  
29   controlling inflation without at the same time imposing  
30   a tremendous increase in unemployment, and so on.





1 COMMISSIONER GIBSON: I think that is a generally  
2 agreed approach if one can do it.

3 MR. GOUNDREY: Well, we have high hopes this  
4 will be done.

5 COMMISSIONER GIBSON: What about the business  
6 of fair distribution and division of comforts and  
7 necessities: How do you judge "fair"?

8 MR. GOUNDREY: If you are asking me ---

9 THE CHAIRMAN: That answer might stand until  
10 after a short adjournment.

11 --- Short recess.

12 THE CHAIRMAN: We will now resume.

13 COMMISSIONER GIBSON: Mr. Chairman, I won't  
14 press my last question.

15 MR. GOUNDREY: It was a very unfair one, yes.

16 COMMISSIONER GIBSON: There isn't any answer  
17 to it, anyhow. The inference or the statement in the  
18 brief -- one of the statements at paragraph 270 is  
19 to the effect that the credit unions increase savings.  
20 Professor Goundrey gave us a very interesting statement  
21 this morning about how a credit union works and quite  
22 a bit about the philosophy of a credit union -- how,  
23 in effect, it led people to use liquid resources they  
24 otherwise would not use and therefore gave them greater  
25 liquidity than they otherwise would have had. Do you  
26 really contend the increase in savings does not simply  
27 mobilize the existing resources more effectively.

28 MR. GOUNDREY: The example I gave this morning  
29 was not designed to show there would be an increase  
30 of savings in the traditional sense, but in the real







1 sense there would be a deviation from what has shown  
2 up in any measure. As far as the increase in savings  
3 is concerned, taken by itself, I think it is safe to  
4 say that the actual volume of savings is greater than  
5 it would be in the absence of this institution, and  
6 it is in this sense we say it has increased. It may  
7 be also at the same time mobilized and they may, in  
8 fact, go into different areas than it would otherwise  
9 go without credit unions, and I think most of those  
10 people who have worked from the beginnings with the  
11 credit unions find that even where the so-called savings  
12 accounts are used more just to deposit your monthly  
13 income and you spend it every month, there is a tendency  
14 for a small residual to grow, and this may be even  
15 unplanned savings. Then we have the budget procedures  
16 and here again one should perhaps remember originally,  
17 when credit unions began, you could not just become  
18 a member of one. There was almost an indoctrination  
19 process, and that throughout the whole history of the  
20 small parochial, rural credit unions -- and it may be  
21 true of some of the larger ones as well even now --  
22 there is a substantial amount of budgetary advice given.  
23 People who get themselves into a financial mess are  
24 instructed on how to get out of it, and the credit union  
25 helps them, and in some cases puts them on a regular  
26 budget. There are cases which have been referred to  
27 you, and I think one was presented in the evidence where  
28 the credit union actually took over a man's pay cheque  
29 and put him on a rigid budget and paid off his utility  
30 bills and allowed him so much for food, and so on.





1 You do get a good deal of this, particularly in the  
2 small integrated units. This is where probably more  
3 savings are mobilized than you would otherwise have.

4 COMMISSIONER GIBSON: Where more real saving  
5 probably occurs?

6 MR. GOUNDREY: More real saving. We are not  
7 concerned really with the function -- the purposes to  
8 which the savings are put.

9 COMMISSIONER GIBSON: No, I understand that.

10 MR. GOUNDREY: I think this is probably --  
11 we would consider this fair.

12 COMMISSIONER GIBSON: This, of course, is part  
13 of your philosophy, to develop a habit of thrift and  
14 planning ahead. What happens to these savings? Does  
15 this stimulate consumption of investment, or is it  
16 mainly in the durable consumer area?

17 MR. GOUNDREY: Here again there is so much  
18 diversity one hates to be dogmatic, but obviously it  
19 is undoubtedly true that individuals who feel they  
20 need consumer credit use these savings for consumer  
21 credit and consumption is thereby increased in the  
22 short run. This really is a matter of judgment as to  
23 whether it should or should not be done. This matter  
24 of judgment has to be something called "in the national  
25 interest" or the "social interest" because the individual  
26 obviously thinks this is what he wants more than something  
27 else.

28 COMMISSIONER GIBSON: I was not asking whether  
29 it should or should not be.

30 MR. GOUNDREY: In different areas it is quite





1 different and at different periods it is quite different.  
2 In some of the producers' co-operatives -- credit unions  
3 in areas where you get primary producers, the proportion  
4 of loans which goes into working capital and equipment  
5 and machinery and into holidays and perhaps into  
6 education loans is quite substantial and quite significant.  
7 In other areas the bulk of the loans may be for consumption.  
8 There is really too much difference to say too much  
9 about it, except the composition has changed. I think  
10 in the Saskatchewan case, where we do have perhaps the  
11 only really good set of statistics on credit unions  
12 in Canada -- this is really the best set of statistics  
13 you have -- it has gone on long enough that you can  
14 see the pattern, and that pattern is filed as part  
15 of the exhibit.

16 COMMISSIONER GIBSON: Would you say the existence  
17 and development of the credit union movement adds to  
18 the stability of demand in the economy? Is it counter-  
19 cyclical, or has it any characteristics of that kind?

20 MR. GOUNDREY: It is counter-cyclical in one  
21 sense, and that is that in periods of booming economic  
22 conditions you tend to get an inflow of savings into  
23 the credit union. So that, in that sense part of the  
24 boom is cut off in savings. Then, without going into  
25 the whole mechanism of this, because loans and deposits  
26 and shares tend to be balanced, except by liquidity  
27 reserves and the amounts we have to hold, you can't  
28 really say it makes much difference to the flow of  
29 expenditures, although it may indirectly at this time.  
30 But it does perhaps mean that a different order of needs







1 are being served, or wants are being served, because  
2 an individual who does decide to save who would not  
3 otherwise save makes his funds available for somebody  
4 else. It appears to be more in the case of the  
5 intermediary in this sense.

6 COMMISSIONER GIBSON: Don't all loans tend  
7 to increase in periods of strong demand and active  
8 business and tend to increase perhaps a little more  
9 when money is getting tight? In looking at the figures  
10 for some of the provinces this certainly is the  
11 conclusion one could draw at times.

12 MR. GOUNDREY: Yes, this is again the sort  
13 of thing which we have been concerned with, of course --  
14 not as a national association, because ---

15 COMMISSIONER GIBSON: I am putting it to you  
16 as a national question from the standpoint of monetary  
17 policy.

18 MR. GOUNDREY: As far as the individual credit  
19 union is concerned, the inflow of shares and deposits  
20 tends to move out again in the way of loans, and  
21 therefore the added savings we do are not necessarily  
22 cutting down the booms. We expect savings to respond  
23 to booms, and employment, and prospects of employment,  
24 and so on, and the volume of loans will tend to follow  
25 this, so we tend to follow along the pattern of  
26 general economic activity.

27 COMMISSIONER GIBSON: Is there much effort  
28 to attract more savings when times are good? Is there  
29 much increase in interest rates and that sort of thing?

30 MR. GOUNDREY: There again, there is a good deal





1 of difference between individual operations, but in  
2 general the interest rates tend to be pretty inflexible.

3 COMMISSIONER GIBSON: They are very sticky,  
4 aren't they?

5 MR. GOUNDREY: They are very, very sticky.

6 COMMISSIONER GIBSON: They don't seem to  
7 respond too much to changes in conditions?

8 MR. GOUNDREY: That is as far as the individual  
9 credit union is concerned; this is true.

10 COMMISSIONER GIBSON: But do you see a pattern  
11 looking at all of them -- the whole movement?

12 MR. GOUNDREY: No, but you do find that the  
13 centrals tend to be a little more aware of interest  
14 rates than the membership. The problem here is that  
15 within the membership the savings are used among the  
16 members. There is pretty much a lack of mobility of  
17 funds out of membership. There is not very much going  
18 in and out. The centrals are one area where you do  
19 get the funds flowing in and out, as I think, again,  
20 the evidence indicates. The centrals do tend to  
21 be more conscious of interest rate policies, and changes  
22 in interest rates, and problems in the capital market,  
23 and therefore those funds which do flow in and out  
24 of the membership tend to be brought into relationship  
25 with the market.

26

27

28

29

30







1 But it is largely through the central. I do not  
2 think anyone can seriously contend that the individual  
3 members, savers, depositors are very much concerned  
4 with changes in interest rates in terms of the volume  
5 of savings. This may not be true of lending and  
6 particularly when you bump into some of the insti-  
7 tutions where you are dealing with larger lenders.  
8 Again there is some evidence that individuals begin  
9 to complain if the borrowing rates go up too much.  
10 They hold off and you do ration the loans.

11 I would not think that for the movement  
12 as a whole there is much evidence that there has been  
13 a substantial shift in the asset portfolios. I  
14 do not think the evidence shows -- and we have filed  
15 a supplemental indicating this -- I do not think  
16 the evidence shows that we have changed significantly  
17 our asset holdings away from our general trend of  
18 development in the post war period and therefore we  
19 do not appear to have been responsive in any way  
20 in terms of assets.

21 COMMISSIONER GIBSON: As far as the centrals  
22 are concerned, from what I have seen in looking through  
23 the evidence and impressions I have got from listening  
24 to provincial leagues and centrals it does appear that  
25 there is a good deal of evidence that when times are  
26 good and money is tight and there are two such periods  
27 in very recent times, that the leagues and credit  
28 unions tend to go into central far more into central  
29 and that these are the times when central, if it does  
30 use the credit elsewhere, has had to draw it for those





1 loans.

2 Now, if this is so -- and it is certainly  
3 the general impression I got -- this indicates that  
4 the central is facilitating the response on the part  
5 of the local credit unions at times of tight money.  
6 This is natural, of course; this is the natural response.  
7 They have a better demand for loans, they want to lend  
8 more and in some cases they borrow from central, the  
9 unions borrow from central quite significantly. The  
10 central finds its liquidity has run out and money gets  
11 real tight and it takes advantage of its loaning  
12 facilities but this is not anti-cyclical, this is  
13 going with the cycle.

14 MR. GOUNDREY: This is true if this occurs.

15 COMMISSIONER GIBSON: Do you agree that  
16 there is a good deal of evidence of the general impression  
17 I just expressed?

18 MR. GOUNDREY: No, I am not sure that I  
19 can quite accept your point of view. I am not sure  
20 that it is in times of boom, for instance, in which  
21 monetary policy has been tight.

22 COMMISSIONER GIBSON: Let me say I am  
23 talking about the two periods of tight money only  
24 that we had in 1956-57 and 1959. Those are really  
25 the only ones.

26 MR. GOUNDREY: In those two cases you do  
27 find that there is some evidence that the demand for  
28 loans was greater and that they responded to these  
29 demands. Now, my impression is -- and here we have  
30





1 people who actually made the decision so that you can  
2 question them on this -- but my impression from dis-  
3 cussing it with them and also from the sort of pattern  
4 which developed throughout the centrals is that a  
5 large number of these demands were rationed, that they  
6 did refrain.

7 COMMISSIONER GIBSON: In other words, it  
8 would have been more if they had not restrained it  
9 a bit?

10 MR. GOUNDREY: I think that is probably  
11 valid.

12 COMMISSIONER GIBSON: Yes, they told us  
13 that several of them told us this.

14 MR. GOUNDREY: This was a period of pretty  
15 heavy demand. Now, here again we must recognize that  
16 this is a pretty tough horse to try and ride that  
17 the centrals have with these individual credit unions  
18 running about. It is not easy to just write to them  
19 and say: "Cut off your loans".

20 COMMISSIONER MACKINTOSH: You are telling him.

21 MR. O'CONNELL: Exactly.

22 MR. GOUNDREY: But our basic contention  
23 has been that to the extent that we have not responded  
24 and in some ways we have responded, I think -- this  
25 is clear from the evidence again that there has been  
26 this rationing process -- there has not been overt  
27 movement out of bonds or any other type of holdings.  
28 We have not been selling bonds in the market to increase  
29 liquidity in order to make loans. We have been selling  
30







1 bonds but we have been doing that regularly for years  
2 and years so it does not matter. It matters, but  
3 not in terms of your question.

4 COMMISSIONER GIBSON: Well, your response  
5 has varied in times of very rapid growth. It may be  
6 that the rate of growth is so rapid in this period  
7 in some areas that you can see a little evidence  
8 of any response at all which does not mean that there  
9 was not a response. I am not arguing that there  
10 was not, but there is a certain amount of rationing  
11 in these circumstances, but the rapidity of the growth  
12 makes it hard to see it in the figures.

13 MR. GOUNDREY: This is true and this has  
14 happened before in the post war period identified  
15 also with the ability of the monetary policy to work  
16 satisfactorily -- and there is lots of evidence that  
17 monetary policy to the extent that we have been pur-  
18 suing it has not had the expected result or the length  
19 of time in which we expected it and sometimes it has  
20 not had the results we expected at all. There have  
21 been the developments in the markets and in the types  
22 of securities which have allowed occasions to come  
23 which were not foreseen or which were inadequately  
24 foreseen.

25 COMMISSIONER GIBSON: It has bitten in  
26 much more in one direction than another and one reason  
27 it has not bitten in is that I think there has been  
28 a great use of money and no money in the economy.  
29 This was the purport of the kind of question we are  
30 asking now. How do you get more response? This is





1 really the sort of thing we are searching for.

2 MR. GOUNDREY: I think again we attempted  
3 to answer this in the brief. We feel that to the  
4 extent, if we have responded to monetary policy in  
5 a perverse way, which we do not admit in any event,  
6 partly because --

7 COMMISSIONER GIBSON: You argue that the  
8 growth sort of varies it in a way?

9 MR. GOUNDREY: Yes, but it is awfully hard  
10 to know what monetary policy is or was. It is one  
11 thing to say that a central in a period of tight money  
12 is making loans and going out to the bank to borrow  
13 money. You can loan if no one tells them that there  
14 is tight money.

15 COMMISSIONER GIBSON: How do they feel  
16 the effects of it? I am not trying to develop an  
17 argument that there was a response. Some way it  
18 all comes in the market system. In fact, a lot  
19 of people try to avoid responding and their efforts  
20 to avoid responding create other results, but it is  
21 a question of what in fact you do do and if you tell  
22 us a little bit about the kind of thing that centrals  
23 did when money was tight and the kind of thing that  
24 the actual credit unions themselves did when they  
25 saw their liquidity getting extremely slim, this would  
26 be very interesting.

27 MR. GOUNDREY: Before I answer this, can  
28 I answer one more question and then I will turn it  
29 over to the people who actually made the decisions  
30







1 (there are three of them here) and that is one where  
2 we had response on the inflow of cash. If monetary  
3 policy begins to pinch out the rate of growth the  
4 inflow in shares and deposits falls because we are  
5 very responsive to people's income and expectations  
6 of income et cetera. We may lag a bit but in this  
7 way we do respond.

8 COMMISSIONER GIBSON: This would be in  
9 times of boom?

10 MR. GOUNDREY: This may mean the monetary  
11 policy is awfully hard to keep level. Sometimes you  
12 get a boom going but there is this response. In  
13 terms of the other I think Mr. O'Connell might direct  
14 you to whoever made these decisions. They never  
15 ask me.

16 MR. O'CONNELL: Mr. Johnson, will you take  
17 some time on this, please?

18 MR. JOHNSON: Well, in answering the question  
19 as to what we did at a certain period of time I will  
20 have to speak largely from memory, I think.

21 During the 1959 era of tight money I think,  
22 as we explained to the Commission at the hearing in  
23 Regina --

24 COMMISSIONER GIBSON: Mr. Johnson, we do  
25 not want you to feel you have to go over the same  
26 ground again. If it is on the record you might make  
27 a general comment.

28 MR. JOHNSON: Well, my general comment would  
29 be this, that we tend to warn the credit unions  
30 particularly about the situation as we see it and the





1 need for conserving their resources for the use of  
2 their present members. We discourage them from  
3 accepting applications for membership or applications  
4 for loans from people who had been normally borrowing  
5 from other institutions because we feel an action of  
6 this type would be contrary to the well-being of  
7 the whole economy.

8 We have evidence that the credit unions  
9 have responded to the advice which we have given them  
10 and that they have curtailed loans during that period.  
11 They have certainly curtailed applications from people  
12 outside the movement who had not been members of the  
13 movement up to that time. It is pretty hard to measure  
14 this in dollars and cents because when you look at  
15 the figures and see what actually takes place in a  
16 certain period of time there are so many factors that  
17 enter into the whole picture that it is difficult to  
18 say whether this is a result of this or the result of  
19 something else. I think that is about all the comment  
20 I have at the moment.

21 COMMISSIONER GIBSON: Would you care to say  
22 a word about what does a local credit union do when  
23 it finds its demand for loans is strong and exceeds  
24 the deposits and payments for shares that are coming  
25 in? It first, I take it, goes to the central, does  
26 it, and gets a loan?

27 MR. JOHNSON: Well, I think I can only  
28 speak, Mr. Gibson, from our experience in Saskatchewan.  
29 Our whole set up and relations with the credit union  
30





1 movement is somewhat different from what it is in  
2 other areas. Almost every credit union in the province  
3 of Saskatchewan uses the co-operative credit society  
4 as its central depository, both for its long term  
5 investments to a large extent and almost exclusively  
6 for its short term deposits with the result that a  
7 credit union in borrowing from the Saskatchewan co-operative  
8 credit society almost invariably is borrowing the money  
9 that it has on deposit with us either by way of shares  
10 or deposits.

11 COMMISSIONER GIBSON: It does not go beyond  
12 that?

13 MR. JOHNSON: Very rarely does it go beyond  
14 that.

15 COMMISSIONER GIBSON: What do you say to  
16 them when it starts to get close to the limit?

17 MR. JOHNSON: Well, we say: "You had better  
18 watch your step, we think you are going off base here  
19 and we think your lending activities are beyond your  
20 capacity".

21 COMMISSIONER GIBSON: Do they reach that  
22 conclusion themselves quite frequently without you  
23 having to tell them?

24 MR. JOHNSON: They do at times. There are  
25 other times when we have to tell them that we feel that  
26 their loaning activity is beyond their capacity  
27 depending again, of course, on the type of management  
28 the credit union has.

29 COMMISSIONER GIBSON: There is a certain  
30 amount of variation among them?







1 MR. JOHNSON: Oh, there certainly is.

2 We would not deny that for a moment. As I say, I  
3 am only speaking from my experience in the Saskatchewan  
4 co-operative credit society and the credit unions  
5 which are its members. I am wondering whether the  
6 Commission would care to hear the experiences which  
7 my colleagues have had in their various areas of  
8 operation.

9 COMMISSIONER GIBSON: I think it would be  
10 very interesting, Mr. Johnson, if they would just  
11 speak to those two points, what happens when there  
12 is a heavy demand in the credit union and what does  
13 the central do in relation to that demand.

14 MR. ROBINSON: When there is a heavy  
15 demand the credit union, not having sufficient funds,  
16 will attempt to borrow from central credit union.  
17 If it is not operating a chequing service and a demand  
18 withdrawal service among its members, then they may  
19 borrow the maximum permitted by the act and we would  
20 in ordinary conditions go along with it. If they  
21 are in a position where they have deposit withdrawals  
22 on occasion then we would curtail that maximum borrowing  
23 to meet the loan demands.

24 COMMISSIONER GIBSON: Would you start saying  
25 to them before they approached their maximum: "Look,  
26 you had better check your lending activities a bit"?

27 MR. ROBINSON: We would do that, yes,  
28 and as we showed in our submission earlier in the year  
29 away back in 1959 we sent a letter to them when the  
30





1 time came that our ability to borrow had been reduced.

2 MR. JOHNSON: Would you care to comment?

3 MR. BEST: I say the same thing, Mr. Chairman,  
4 in Ontario at least with members of the Ontario Co-  
5 operative Credit Society and in fact in our brief we  
6 have attempted to give evidence of that. First of  
7 all, on the two points Mr. Gibson has questioned us  
8 on what did the local credit unions do, I think they  
9 start stockpiling the loan applications. There is  
10 all kinds of evidence of that.

11 COMMISSIONER GIBSON: They start stock-  
12 piling them? They just say: "You have to wait a while  
13 to get your loan."?

14 MR. BEST: Yes, the credit unions, that  
15 is correct, but first of all they would have attempted  
16 to use whatever resources there were and one of them  
17 would be borrowing from co-op credit. Normally, we  
18 would loan them up to 50 per cent of their unmatured  
19 capital. In times of stringency we have cut it back  
20 to 25 per cent of the unmatured capital and we would  
21 say: "Sorry, no more lending".

22 COMMISSIONER GIBSON: If the demands for  
23 loans are strong in a credit union then it ought  
24 to go pretty quickly up to the maximum amount which  
25 it can get from you or is it a fairly gradual process  
26 and are they a little less anxious to borrow each time  
27 they come to you?

28 MR. BEST: I would say it was gradual  
29 usually unless the tight money comes at the same time  
30







1 as a seasonal demand. If you have got both those  
2 situations happening at the same time then the demand  
3 is going to be at a much more rapid rate.

4 COMMISSIONER BROWN: Is there any tendency  
5 for the credit union which has the higher calibre of  
6 manager to move quickly as soon as there is any evidence  
7 of a possible curtailment of loans and to make sure  
8 that they get enough money to look after their require-  
9 ments.

10 MR. JOHNSON: There is no evidence of that  
11 at all as far as we are concerned.

12 MR. BEST: Nor do we.

13 MR. O'CONNELL: I believe there is on the  
14 local level of some areas credit unions where the  
15 lending activity of the credit union is not that  
16 easily completed. The usual method is almost a complete  
17 cessation of loaning activities for the time, letting  
18 their repayments come in to take care of their normal  
19 class of withdrawals of savings and substituting short  
20 term small credit loans for any of the larger type of  
21 loans that they would have and postponing those types  
22 of application until such time as they build up a  
23 reserve.

24 COMMISSIONER GIBSON: One of the suggestions  
25 that you make is you thought of a confidential memorandum  
26 of communication with the central bank to go around  
27 at times that money is rather tight or perhaps easy.  
28 I think the context was in the period when it was tight.





1 Suppose you get a memorandum like this, and we better  
2 define what "you" is, do you envisage going to the  
3 centrals?

4 MR. GOUNDREY: No, the central and the C.C.C.S.  
5 You cannot talk about confidential memoranda going to  
6 thousands of people.

7 COMMISSIONER GIBSON: Supposing central got  
8 such a memorandum and the memorandum said: Money is  
9 tight, cut back on your lending. What would they do?  
10 What would be practicable for them to do? I do not  
11 question their good will, but what could they do in  
12 these circumstances?

13 MR. GOUNDREY: They could, of course, restrict  
14 all loans to members. Again, I think there is good  
15 evidence in the sort of thing which was done in  
16 British Columbia. That is, you merely write to all the  
17 credit unions and say: We are not going to be able to  
18 make you any loans, therefore you are going to have to  
19 balance your own deposits against your inflow. You cannot  
20 depend upon us.

21 COMMISSIONER GIBSON: In other words, if they  
22 believed the message and thought it was a proper suggestion,  
23 and it was in the national interest, they would get after  
24 the credit unions fairly quickly and say: You cannot  
25 depend on us?

26 MR. GOUNDREY: Yes. I very much doubt if you  
27 could expect them to write to the individual credit  
28 unions and say: Cut back your loans. The point is  
29 that in as far as the central operates, it would make  
30 it impossible for the individual credit unions to make





1 loans over and above the resources that were coming  
2 in to them. This would check it.

3 COMMISSIONER GIBSON: Yes.

4 MR. GOUNDREY: So you would not get any of  
5 this sort of thing.

6 There is one thing that causes difficulty  
7 particularly in regard to the statistics here. That  
8 is that within the credit union movement sometimes it  
9 takes quite a little while to get loans initiated.  
10 There are credit committees and that sort of thing,  
11 and quite frequently you will find an individual  
12 credit union committing itself to making loans that are  
13 not going to be made for six months. They would have  
14 to consider cutting off that type of loan and creating  
15 a breach with the member. Therefore you have got a  
16 lag of response under the circumstances.

17 Outside of that, the only other thing we could  
18 is say that these extra loans over and above the inflow  
19 to the local credit unions should be discontinued.

20 COMMISSIONER GIBSON: The people receiving  
21 this communication might not agree with it. They might  
22 consider the judgment of the people sending it out  
23 as not as good as their own. Mr. Johnson might say  
24 that this fellow does not know what he is talking about  
25 and Mr. Robinson might agree with him.

26 COMMISSIONER BROWN: Or they might say that  
27 this applies to the rest of Canada but does not apply  
28 to them.

29 COMMISSIONER GIBSON: It may not apply to  
30 British Columbia.







1 MR. GOUNDREY: I am inclined to think that  
2 if this memorandum came from the Governor of the Bank  
3 of Canada they would think it came in good faith and  
4 therefore this was the best method.

5 COMMISSIONER GIBSON: There is no question  
6 of it coming in good faith, but people often question  
7 other people's judgment when that judgment asks them  
8 to do something that is against their interests as  
9 they see them at the time.

10 MR. GOUNDREY: Well, here again I am sorry.  
11 This brief also includes some statements of this sort.  
12 That is what these people would do. They would follow  
13 the advice, and they have said so. Other than saying  
14 that I do not know what I can say.

15 MR. JOHNSON: I should like to make one comment  
16 here, Mr. Chairman. I think it is true to say, and  
17 I think certainly the Commission will recognize this,  
18 that the basis upon which our central organizations  
19 have grown to the size which they are at the present  
20 time is largely as a result of the confidence of the  
21 people at the local level; confidence of the credit  
22 unions in the central organization based on the  
23 experience which they have had with them over the  
24 period of many years.

25 This confidence is not only in respect to the  
26 handling of funds. I think the confidence extends to  
27 that area of advice to the credit union regarding various  
28 other activities. I feel that when the central in  
29 any province gives advice to a creditunion, whether  
30 they are bound to follow it or not, they take this





1 advice, generally speaking pretty seriously.

2 COMMISSIONER LEMAN: This morning at some  
3 point during the discussion -- I do not know exactly  
4 what we were discussing then -- there was mention made  
5 of the fact that credit unions operated on very, very  
6 small margins, or very small spreads. I think someone  
7 mentioned a fraction of a per cent. I should like to  
8 have an idea of the typical local union.

9 We have heard a lot through our examination  
10 of provincial centrals and leagues about the use of  
11 the one per cent month loan rate for loan members.  
12 Starting from that loan rate as being the gross income  
13 of the local how would the various elements of outgo  
14 shape up in relation to the 12 per cent?

15 MR. GOUNDREY: I would like to leave this to  
16 someone else to answer, except that I would like to  
17 clarify one point. That is, when I was talking about  
18 this narrow spread this morning I was indicating the  
19 very fine calculation which is necessary if you get  
20 rid of patronage dividends and other ways of getting  
21 rid of the gross spread that you have. In other words  
22 if the gross spread comes to be looked upon as income  
23 you would have to cut this rate down very narrow, and  
24 this would involve a difficult proposition. That which  
25 goes into the undivided reserve surplus is a negligible  
26 proportion of the total.

27 COMMISSIONER LEMAN: Let us start from the  
28 12 per cent figure. You cannot earn 12 per cent on  
29 all your assets, obviously, so what would be fair  
30 to think about as the gross figure to start from if you







1 want to stay with percentages instead of getting mixed  
2 up with absolute dollar figures? Would it be fair to  
3 talk about a 10 per cent gross?

4 MR. GOUNDREY: Here again the procedure differs  
5 from credit union to credit union. Some of them do  
6 not pay in fact patronage dividends but give savings  
7 immediately on the loans. When this happens in respect  
8 to the normal type of short-term personal loan there is  
9 a tendency to cut it down to around  $9\frac{1}{2}$  per cent, or  
10 9.3 per cent gross.

11 COMMISSIONER LEMAN: 10 per cent is a little  
12 bit high?

13 MR. GOUNDREY: I would say that 10 per cent  
14 is high, yes.

15 COMMISSIONER LEMAN: Let us try  $9\frac{1}{2}$  per cent  
16 then. What are the costs associated with that  $9\frac{1}{2}$  per  
17 cent? In other words, how do we break the  $9\frac{1}{2}$  per cent  
18 down to zero?

19 MR. GOUNDREY: Well, the simplest way to answer  
20 this is, if it is acceptable, by filing the auditor's report  
21 for the British Columbia central in which there is a  
22 breakdown of the income dollar.

23 COMMISSIONER LEMAN: I am thinking of the local  
24 union.

25 MR. McMASTER: Unfortunately the certificates  
26 are not available with these. I think your secretary  
27 or research staff will have found out that the statistics  
28 in this area are not very adequate. I think he has had  
29 filed with him, Mr. Leman, a number of annual financial  
30 statements. If he does not have them we can probably





1 make those available.

2 It may be possible to make some analysis but  
3 in the time we had to prepare the brief we were unable  
4 to make an analysis in any meaningful way for the whole  
5 country. So that any figure we could come up with now  
6 I am afraid would not be very helpful.

7 COMMISSIONER LEMAN: I do not want the arithmetic  
8 average or anything like, I just asked what was typical.  
9 There must be some of you who are sufficiently familiar  
10 with the typical situation to give me a rough breakdown.  
11 The staff will do some research in regard to this later,  
12 but I should like to have a rough idea of how the  $9\frac{1}{2}$   
13 per cent breaks down to zero. It must get there somehow.  
14 Let us get it down to zero by steps.

15 MR. GAULEY: May I suggest that in some areas  
16 we have considered 8 per cent as the charge. As long  
17 as it is taken as a gross of 8 per cent I can give you  
18 a breakdown.

19 There is the cost of the money to the credit  
20 union which is 3 per cent, or roughly  $3\frac{1}{2}$  per cent. They  
21 must pay for two kinds of insurance and this cost will  
22 roughly come to  $1\frac{1}{2}$  per cent. This brings you up to about  
23 5 per cent, and you have somewhere in the neighbourhood  
24 of 3 per cent operating cost for the credit union.  
25 That is, paying wages, rent, light and heat.

26 Those are very roughly the average figures,  
27 but I suggest they are about right.

28 COMMISSIONER LEMAN: You feel that 3 per cent  
29 might be about expense portion?

30 MR. GAULEY: That is right.







1 COMMISSIONER LEMAN:  $1\frac{1}{2}$  per cent goes for  
2 insurance and accessories, and 3 per cent applies to  
3 the cost of money. What is that?

4 MR. GAULEY: That will be the share dividends.

5 COMMISSIONER LEMAN: Does this apply to the  
6 union that uses both methods of giving rebates on  
7 loans, or to a union that just gives dividends without  
8 rebates, or did you start from 8 per cent because you  
9 had assumed there would be rebates?

10 MR. GAULEY: The credit union I have in mind  
11 is an industrial credit union. It has a fair sized  
12 staff who are members of the union, and the figures  
13 I have given are fairly accurate. They are from my  
14 memory. They may pay a very small patronage rebate,  
15 but it will be small.

16 MR. O'CONNELL: One of the difficulties  
17 involved here is that the traditional 12 per cent rate,  
18 or 1 per cent rate associated with credit unions in  
19 respect to their loans is the maximum amount within  
20 which they legally have to live. There are, however,  
21 a great number of credit unions that charge a lot less  
22 than that. The rates fluctuate from something below  
23 6 per cent, although rarely, to 12 per cent. That is  
24 why we perhaps safely average it out as 8 per cent.  
25 The credit unions in Nova Scotia, for instance, operate  
26 at a lower figure well below the 1 per cent rate. I  
27 suggest that is why the 8 per cent calculation is used.

28 I have the feeling, and Mr. Ingram can correct  
29 in this regard since he will probably have more general  
30 information that the borrowers rebates would be fundamental.







1 in respect to those credit unions that charge the  
2 full 1 per cent. That would make up for the difference.

3 MR. INGRAM: I may perhaps answer your other  
4 question, Mr. Leman, in a different way. This is a  
5 good simple breakdown. The expenses tend to approximate  
6 50 per cent of the gross income. The average credit  
7 union dividends and rebates approximate a similar amount,  
8 or about 15 per cent, and the reserves amount to between  
9 20 per cent and 25 per cent. These are, of course,  
10 flexible rates, but I suggest to you this is a fairly  
11 good average situation.

12 There are many factors that would tend to  
13 change these figures substantially. The very nature  
14 of the operation; whether it is a voluntarily run  
15 organization or whether it has a sometimes staff, and  
16 so on. These things I suggest make a great deal of  
17 difference, but the example I have given I suggest is  
18 a fairly good one for your information.

19 COMMISSIONER LEMAN: Perhaps we could now  
20 turn to the C.C.C.S., because time marches on.

21 In the C.C.C.S. brief at paragraph 7 there is  
22 a reference to the technical difficulties that prevented  
23 the joining by Alberta, Nova Scotia and Prince Edward  
24 Island credit unions. What were these technical  
25 difficulties?

26 MR. JOHNSON: Did you ask what were the  
27 technical difficulties?

28 COMMISSIONER LEMAN: Yes, that prevented these  
29 provinces from joining?

30 MR. JOHNSON: Perhaps I should start off by





1 saying that these two organizations -- pardon me,  
2 did you say Nova Scotia and Prince Edward Island?

3 COMMISSIONER LEMAN: The provinces of Alberta,  
4 Nova Scotia and Prince Edward Island are listed in  
5 that paragraph in relation to the technical difficulties  
6 which prevented their joining.

7 MR. JOHNSON: Dealing with Nova Scotia first.  
8 They were one of the original group of centrals which  
9 advocated the formation of the Canadian Co-operative  
10 Credit Society, and they originally paid their first  
11 assessment in share capital to the organization, but  
12 later on when it was found that they were operating  
13 their league or educational organization and their  
14 central under one directorship and one management,  
15 and that in this central they had a mortgage department  
16 which made loans to individuals, it was felt by the  
17 people who were administering the legislation at that  
18 time, and still are, that it would be in the interest  
19 of all concerned if they were to divide the educational  
20 and the operational features of the organization into  
21 two areas and, preferably, they would in some manner  
22 segregate the personal lending feature of their operation  
23 and place it in another area they would be acceptable.  
24 This would be desirable before they could become  
25 eligible for membership in the Canadian Co-operative  
26 Credit Society. These were, as far as I know, the  
27 technical difficulties which finally stopped Nova Scotia  
28 from becoming members of the Canadian Co-operative  
29 Credit Society.

30 As far as Prince Edward Island is concerned,







1 I have no first-hand knowledge.

2 I can give you the story in respect to  
3 Alberta. It is almost parallel with that of Nova Scotia  
4 in that they were operating in almost exactly the same  
5 way, and the people administering the Act felt that  
6 they would have to change their operations to conform  
7 to a certain pattern before they would become eligible  
8 to become members of the Canadian Co-operative Credit  
9 Society.

10 Does that answer your question?

11 MR. GOUNDREY: The position here is that the  
12 central were making individual credit loans to individuals  
13 in some cases, and also sometimes they carried out  
14 other activities such as printing and promotional  
15 activities. These were not the only things which  
16 were covered by the Act. In other words, it was a much  
17 broader organization than the provisions of the Act  
18 covered. In order to join they would have had to change  
19 somehow or other their operation.

20 COMMISSIONER LEMAN: They did not qualify  
21 under Chapter 28?

22 MR. McMASTER: That is correct.

23 It should be said, perhaps, that in Alberta  
24 since that time, they have created a central organization  
25 which I think is still engaged in making mortgage  
26 loans to credit union members on a longer term basis  
27 than some of the credit unions are able to do. They  
28 have not since seen fit to come in.

29 In Nova Scotia you still have a lack of the  
30 central type of operation; that is, there are not two





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1 institutions there.

2 I am sorry that in respect to Prince Edward

3 Island we are not able to give you any information.

4 I think the situation is probably the same there.

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1 MR. JOHNSON: Further to the Alberta situation  
2 which Mr. McMaster has opened up, they are in the pro-  
3 cess at the present time of dividing their educational  
4 function from the operational function. However, this  
5 will not be completed until the next sittings of the  
6 Alberta legislature when they hope to have an act  
7 passed enabling the central organization -- that is  
8 the operational central organization to become an  
9 effective interest.

10 COMMISSIONER LEMAN: In paragraph 18 you  
11 covered what the limitations of membership are for  
12 the purposes of chapter 28. You say:

13 "The membership is limited by section 4

14 (1)(a) co-operatives credit societies

15 incorporated by Special Act;

16 (b) any co-operative credit society

17 declared by Parliament to be eligible

18 to become a member of an association;"

19 And then:

20 "(c) not more than ten co-operative

21 corporations (not being co-operative

22 credit societies) carrying on business

23 in two or more provinces; "

24 What was the purpose of that addition?

25 MR. JOHNSON: I believe the purpose of  
26 it was that again following a similar pattern to the  
27 one we have in Saskatchewan, the Saskatchewan people  
28 were somewhat instrumental in bringing about the  
29 formation of the Canadian Co-operative Credit Societies  
30 and the idea being that if we found there were surplus







1 funds in the hands of the central organization were  
2 not required by the provincial centrals -- and by  
3 centrals I refer to the co-operatives -- these could  
4 be perhaps loaned to those commercial co-operative  
5 organizations on a short term basis particularly  
6 for short term operating capital. This is the  
7 purpose of including the centrals in.

8 Perhaps another reason was that these  
9 centrals were interested in the formation of the  
10 Canadian Co-operatives Credit Society and they  
11 signified their preparedness to supply a certain  
12 amount of the initial capital in order to set up  
13 the organization.

14 MR. McMASTER: I think that I might make  
15 the comment that this is an extension of the central  
16 type of organization that you have in those provinces  
17 where they are incorporated separately that you  
18 may have in the membership credit unions and other  
19 corporations of a like co-operative nature. So,  
20 the limitation of ten may be the thing that is con-  
21 cerning you rather than the inclusion of it.

22 COMMISSIONER LEMAN: What is the issue  
23 of that limitation; was it the incorporators who  
24 asked for it or was it the legislators who decided  
25 that that was the limitation?

26 MR. McMASTER: I rather think it was a  
27 combination of the two situations; one, that you had  
28 some interprovincial associations who were prepared  
29 to contribute to the capital on the one hand -- not  
30 the full ten at that time -- and some desire to limit





1 the number on the part of the administrative group  
2 who were dealing with a new extension of credit union  
3 principle in the central field, and they referred to  
4 what you might call a compromise figure and seeing  
5 where you would develop from there. At the moment  
6 I think there is what, six or seven only?

7 MR. JOHNSON: I think there are six.

8 MR. McMASTER: There are six that are members.

9 MR. JOHNSON: I believe it was a compromise  
10 between the administrator -- the people who were  
11 responsible for administering the Act and the people  
12 seeking the legislation, but I was not personally  
13 involved with it at that time so I cannot say for  
14 certain that is what happened in this case.

15 COMMISSIONER LEMAN: In paragraph 10, the  
16 very last sentence of paragraph 10 it is said:

17 "Choice to register or not under the  
18 Act is voluntary."

19 Now, what is meant by that; can they still belong to  
20 it if they are not registered under the Act?

21 MR. McMASTER: No, if the central organization  
22 wants to be a member of C.C.C.S. they must qualify  
23 and be registered under the Act, but the central is  
24 not obliged to be a member of C.C.C.S. It cannot  
25 register under the Act if it is not a member of C.C.C.S.  
26 It is voluntary whether they come into the scheme of  
27 the Act or not. If they come into the scheme they  
28 must be a member of the C.C.C.S.

29 COMMISSIONER LEMAN: I do not think we want  
30







1 to go over again all the long discussion which we had  
2 on the approach to liquidity which was discussed earlier;  
3 however, I am afraid we will have to talk about it  
4 a little bit because this is the central point that  
5 seems to emerge from the recommendations which you  
6 make and the discussion of your ideas on how C.C.C.S.  
7 should operate.

8           Following Mr. Brown's questioning on policy  
9 this afternoon, would it be your impression that if  
10 C.C.C.S. is going to operate to be the holder of the  
11 reserves of centrals, in other words the holding of  
12 reserves, that its liquidity -- I will not ask you  
13 about the needs for liquidity -- its liquidity position  
14 by definition should be of a high degree. In other  
15 words, if Mr. Brown's analogy is the branch of a bank  
16 and it is not the branch that holds the reserves of  
17 the bank, the reserves are held at head office and  
18 you can go to head office, that the C.C.C.S. if it  
19 holds a substantial proportion of the underlying units  
20 it becomes in a sense a sort of Bank of Canada to them  
21 does it not?

22           MR. GOUNDREY: Well, I do not want to add  
23 anything really to what I said before; I think I handled  
24 that pretty well!

25           The point here again is that as far as  
26 provincial centrals are concerned, these must be liquid  
27 from their point of view. They must be able to draw  
28 their funds. This may or may not entail holding these  
29 reserves completely liquid. This will depend entirely  
30





1 upon the nature of the claim against it, but we would  
2 again admit that as you get up towards the tiers --  
3 in these tiers -- there would be a tendency for the  
4 marginal stuff which is in a highly liquid form to  
5 become greater and greater -- if that is what you  
6 mean by being more liquid -- but I do not think it  
7 necessarily follows that the cash ratio has to go  
8 up as opposed to the highly liquid ratios, but we  
9 do have this problem of pooling reserves which tends  
10 to reduce the need for liquidity. This has to be  
11 counterbalanced, we admit, but we must not forget  
12 the pooling of the reserves in the interest merely  
13 of the other; this would be the position, and as I  
14 understand the general view --

15 COMMISSIONER LEMAN: I think that Commissioner  
16 Brown would be tempted to reconsolidate you through  
17 the C.C.C.S. to measure the liquidity. However,  
18 the need for liquidity is a matter of judgment and  
19 experience?

20 MR. GOUNDREY: Yes.

21 COMMISSIONER LEMAN: But you are talking  
22 about measuring the existing liquidity.

23 MR. GOUNDREY: Well, this is difficult to  
24 answer, except again to reiterate that the amount  
25 of cash -- if you want to come back to our cash  
26 problem -- that the amount of cash that you need  
27 within an integrated system is less than you need  
28 in a system which is not integrated because of this  
29 possibility of being able to get liquidity up and down  
30





1 and this imposes certain dangers which we are aware of  
2 and have given rise to the provisions in the Act,  
3 but you get a false picture if you just say how much  
4 cash is there compared to the total assets.

5 COMMISSIONER LEMAN: I would not say how  
6 much cash is there.

7 MR. GOUNDREY: But generally speaking, I  
8 would think that the margin of the reserve funds would  
9 be held in a highly liquid form by C.C.C.S. because  
10 C.C.C.S. would hope to be able to use ---

11 COMMISSIONER LEMAN: More than at central?

12 MR. GOUNDREY: Yes, in terms of maturities.

13 COMMISSIONER LEMAN: How about that general  
14 principle?

15 MR. GOUNDREY: If there was concern with  
16 liquidity as opposed to these other things as a  
17 result of the pooling, then the need for the liquidity  
18 begins to disappear. It is unfortunate, but as you  
19 start from the bottom and work towards the top that  
20 these things are -- as you get to the top the need  
21 for liquidity of one kind is falling off and the  
22 need for liquidity of the other kind is increasing,  
23 so you do tend to get a slightly different portfolio  
24 position as you go further up.

25 COMMISSIONER LEMAN: Let me give you an  
26 example. At the end of paragraph 56 you state:

27 "Only reserves and surplus funds  
28 would be affected but this proposal  
29 would centralize the investments of  
30







1 "the credit unions through centrals  
2 and C.C.C.S. and thus add to the  
3 mobility of credit union reserves and  
4 surplus."

5 Now, as I read the word "mobility", to add to the  
6 mobility of these reserves they have to be -- they  
7 will only be mobile if they are not frozen into mobile  
8 investments, is not that correct; they cannot be  
9 mobile if they are invested in mortgages?

10 MR. GOUNDREY: No, this is not necessarily  
11 implied in the idea of mobility. Also in the mobility,  
12 that in selecting your asset holdings at the top in  
13 C.C.C.S. you may hold and probably will hold quite  
14 a different range of assets, different types of  
15 assets than you may hold in other areas. You probably  
16 will be closer to markets and managing than would be  
17 the nature of part of your operations in making short  
18 term loans, and you would normally expect that the  
19 portfolios would be quite a bit different in character.

20 COMMISSIONER MACKINTOSH: More liquid?

21 MR. GOUNDREY: In fact, even holding the  
22 same bonds at central, for example, might make them  
23 more liquid than if you held them in the province  
24 of the credit unions. This depends on how closely  
25 you are tied to a rather imperfect capital market.

26 COMMISSIONER BROWN: We seem be back  
27 into this definition of what is liquidity and what is  
28 not and we had better get clear on this question of  
29 the need for liquidity and what is liquidity and again  
30





1 I am getting confused because it could be that if you  
2 have a bond it does not matter whether it is here  
3 or here, it does not change the liquidity of those bonds.

4 MR. GOUNDREY: Oh yes it does, sir; I  
5 spent four years in Newfoundland and there are lots  
6 of bonds in Newfoundland which are highly illiquid  
7 whereas in Toronto you can sell them.

8 COMMISSIONER BROWN: The same bonds?

9 MR. GOUNDREY: Exactly the same bonds. I  
10 tried to sell some government of Canada bonds in  
11 Newfoundland and it took four days; in Toronto it  
12 would not take half an hour. The market is not  
13 perfect.

14 COMMISSIONER BROWN: Do you say that it  
15 depends upon your communications with the market?  
16 I think that you are taking an extreme example. You  
17 state as between a central and holdings with C.C.C.S. --  
18 I think we have to accept as a definition that the  
19 bond at central in British Columbia or Newfoundland  
20 is just as liquid there as in Toronto.

21 MR. GOUNDREY: Well, if you consider  
22 the actual statement in paragraph 56 it says:

23 "The proposal is that three-fourths  
24 of their reserve requirements might  
25 be deposited in the Canadian Co-operative  
26 Credit Society instead of being invested  
27 in governmental securities."

28 COMMISSIONER BROWN: I am going back to  
29 your statement that a bond at C.C.C.S. is more liquid  
30







1 than in central?

2 MR. GOUNDREY: It is likely to be unless the  
3 capital market in the province is as perfect as in  
4 C.C.C.S.

5 COMMISSIONER GIBSON: Surely this is a  
6 trivial point.

7 MR. GOUNDREY: I think it is.

8 COMMISSIONER GIBSON: Why did you make it?

9 MR. GOUNDREY: It is important in connection  
10 with centrals and may be important in connection with  
11 C.C.C.S. I do not know how trivial it is.

12 COMMISSIONER BROWN: I have no comments.

13 COMMISSIONER LEMAN: I think we might perhaps  
14 throw a little light on this. If the liquidity  
15 requirements of the system at the various levels  
16 should be set by law, the cash primary reserves  
17 and the secondary reserves in the form of liquidity  
18 as defined in the law, the type of investments et  
19 cetera -- now, the legislature if it considers that  
20 tier type of organization it has to take into consideration  
21 the fact that there is this superimposition and if  
22 the legislature meant that the local should have,  
23 say, a 5 per cent primary reserve, and a 15 per cent  
24 secondary reserve -- it being the total liquidity --  
25 it must take into consideration what you have done  
26 with part or all of that liquidity reserve. Now,  
27 if by moving this liquidity reserve from one tier  
28 to the next they are in fact rendered less liquid,  
29 the legislature has to take it into account?

30 MR. GOUNDREY: That is true.





1  
2 COMMISSIONER LEMAN: This is what we  
3 are trying to get at. If it is required that at  
4 one level it be the minimum reserve and at another  
5 level again he states what the reserve is, then  
6 he should not be circumvented by using one of the  
7 tiers to go and make investments that render that  
8 liquidity practically impossible.

9 MR. GOUNDREY: That is a question. Suppose  
10 I have a primary reserve required of 5 per cent in  
11 cash; it has it in cash and 15 per cent in securities,  
12 government securities, if as an alternative to the  
13 15 per cent in securities I have expended 15 per cent  
14 already as deposit with central, whether the liquidity  
15 has been reduced by the tiers on the 15 per cent  
16 in central, then the 15 per cent in size does not  
17 actually apply.

18 COMMISSIONER MACKINTOSH: Further from  
19 that assumption, you have a requirement that central  
20 have a certain liquidity, or cash and liquidity and  
21 that must be what, 15 per cent?

22 MR. GOUNDRY: Yes, 5 and 15.

23 COMMISSIONER MACKINTOSH: Then, the central  
24 15 per cent becomes /of the local 15 per cent, and that  
25 is on the assumption that the locals hold liquid  
26 assets, and if you have a third tier it becomes  
27 15 per cent on 15 per cent on 15 per cent?

28 MR. GOUNDRY: Yes.

29 COMMISSIONER LEMAN: It is .3 per cent?

30 MR. GOUNDREY: No, it is not .3 per cent,





1 it is .35.

2 COMMISSIONER MACKINTOSH: The suggestion  
3 here is that in that case a super central has to be  
4 super liquid.

5 MR. GOUNDREY: It could be more liquid  
6 than 5 and 15 per cent.

7 COMMISSIONER MACKINTOSH: Yes, very  
8 definitely more liquid because its liability represents  
9 the whole liquid assets of the system. Now, that is  
10 not true actually, because where there is a transfer  
11 their liability becomes the whole of the liquid assets  
12 of the system, and if you are going to get the benefit  
13 of the pool they have got to be pretty fluid so that  
14 they can move here and there as they are needed; I  
15 think that is the whole thing.

16 COMMISSIONER LEMAN: Just now I was  
17 referring to the mobility. They never have mobility  
18 if you imagine the concept of having reserves coming  
19 from one central and with flow back down into another  
20 central as needed and then out of there again and back.  
21 If these are tied up in long term debts they will not  
22 flow. If central calls on C.C.C.S. for accommodation  
23 at one point, -- it will not help them if you send  
24 them a bond rather than cash will it? You would not  
25 send them a bond and so you can sell it yourself.

26 MR. GOUNDREY: You go ahead and meet your  
27 customers' demands and you have to keep yourself in  
28 a position to meet this demand. This is what you have  
29 to do.

30 COMMISSIONER LEMAN: We are not trying to







1 measure right here the need for liquidity and the  
2 change in the amount of liquidity needed if you allow  
3 for the benefits of pooling, et cetera; it cannot  
4 be done in a meeting like this, and what I want to  
5 do is establish a principle on that. The more you  
6 tier the more you must buy from liquid at the top  
7 to maintain the same soundness in the system.  
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1 MR. GOUNDREY: But there is a proviso, and  
2 that is provided that within the tiering the pooling  
3 has not in fact allowed this to fall off. In other  
4 words, you can say as we go up the tiers we would have  
5 to normally remain more liquid if through pooling  
6 we didn't eliminate any of the needs for liquidity,  
7 but if you do eliminate them, then no longer has it  
8 to be a pyramid. It may have to be very much wider  
9 at the top than at the bottom. This is something you  
10 have to find out from experience. The general principle  
11 is, given the liquidity position, yes, you have to have  
12 this sort of situation, but given the possibility  
13 pooling eliminates the need for liquidity you get this  
14 sort of position, and the net result is the sum of  
15 the two.

16 COMMISSIONER MACKINTOSH: Yes, but you are not  
17 allowing for the relevant conditions all at the same  
18 time. The saving, so to speak, which you make by  
19 pooling is at least all taken by this scaling down  
20 of 15 per cent of 15 per cent. That is the only reason  
21 why you can have this inverted pyramid. I think that  
22 takes up at least all that you save by pooling, so  
23 that the point that the top pool must be more liquid  
24 than the lower pool remains pretty much untouched.

25 MR. GOUNDREY: Yes, the liquidity at the top --  
26 there is, of course, some difference as you go through  
27 the tiers in the liquidity of the liabilities, and  
28 this tends to complicate things.

29 COMMISSIONER MACKINTOSH: Yes, we are arguing  
30 on the basis we are saying, "These are liquid and these







1 are not".

2 MR. GOUNDREY: If you have completely liquid  
3 liabilities so they , in the credit union, can withdraw  
4 everything and might do this, then you have to have  
5 a much higher degree of liquidity -- if you have restraints  
6 on withdrawals as we used to have on savings accounts  
7 in banks.

8 COMMISSIONER LEMAN: Let us take another  
9 example. You use in a few spots in the C.C.C.S. brief  
10 the word "strength". Let us look at paragraph 66.  
11 There you are talking about the bargaining power that  
12 C.C.C.S. would have with the banking in the matter  
13 of clearing arrangements. Now, what would be the type  
14 of strength there that would give you bargaining power?  
15 Would it be liquidity, or just having a big C.C.C.S.?

16 MR. GOUNDREY: Both.

17 COMMISSIONER LEMAN: Imagine a completely  
18 illiquid C.C.C.S.: What bargaining power would it  
19 have?

20 MR. GOUNDREY: In this context?

21 MR. McMASTER: Isn't this an area which would  
22 not be related to the liquidity of C.C.C.S.? It would be  
23 related, if you were talking about clearing privileges,  
24 to the organizations or representations of all of  
25 the centrals or the major centrals through the national  
26 organization. It would facilitate the arrangements  
27 for clearing. If, on the other hand, you are talking of  
28 the ability of C.C.C.S. to borrow from the banks, that  
29 presumably the bank would have due regard to the  
30 liquidity position and the soundness of the C.C.C.S.





1 before it would make any advances at that level.

2 MR. JOHNSON: I think we are referring here,  
3 Mr. Chairman, to the negotiations which have already  
4 taken place between representatives of C.C.C.S. and the  
5 chartered banks. As I see this, this is simply an  
6 extension of these negotiations for the future between  
7 C.C.C.S. and the chartered banks for clearing privileges  
8 throughout the system.

9 COMMISSIONER LEMAN: May I change the subject  
10 here for the next question? There is a reference in  
11 paragraph 70, subsection 3. You expressed some dislike  
12 for compulsory methods of regulation in the system  
13 this morning between the centrals and the individual  
14 local units. Now you imply that the existence of a  
15 strong C.C.C.S. would help, through the C.C.C.S.

16 I presume, the federal government to exercise a greater  
17 degree of regulation, supervision and control as may  
18 be deemed necessary in the national interests. What  
19 do you visualize in the C.C.C.S. -- some kind of powers  
20 that you disclaimed for the centrals or the leagues,  
21 or what?

22 MR. McMASTER: I think there, Mr. Leman, that  
23 you need to go back to the beginning of the previous  
24 page, page 27, of the clause numbered 70, which says:  
25 "C.C.C.S. agrees with the position of N.A.C.C.U. that  
26 there is no present need for federal regulation and  
27 control of provincially incorporated credit unions  
28 and co-operative credit societies. However, if it  
29 were deemed necessary in the national interest C.C.C.S.  
30 could become the instrument whereby ..." -- if regulation





1 and control in the national interest were necessary  
2 that you would have a means of dealing with an  
3 organization that is directly in touch with most of  
4 the English speaking credit unions, and rather than  
5 try to regulate the 3,000 member units that because  
6 of the close relationship, if regulation were necessary  
7 at this level, it would spread its effect down through  
8 the organization.

9 COMMISSIONER LEMAN: I am wondering if you  
10 are talking about persuasion here, or if you are talking  
11 about giving C.C.C.S. some actual powers of control  
12 and regulation in the system?

13 MR. McMASTER: Really, what we are saying  
14 is that while we don't feel control or regulation  
15 is necessary at that level, and if there were a C.C.C.S.  
16 there, and if in circumstances that did require in the  
17 national interest some influence other than just  
18 moral suasion -- and what sort of regulation that is  
19 we cannot anticipate -- that there would be an instrument  
20 relating to the credit unions by virtue of their  
21 relationship with each other -- true on a voluntary  
22 basis -- that a combination of legislation and voluntary  
23 co-operation could lead to effectively implementing  
24 national policy without the need to deal with 3,000  
25 individual units.

26 COMMISSIONER LEMAN: I am referred back to  
27 No. 10 of the summary where there is a summary of your  
28 recommendations about the Act. What I am groping for  
29 is, would you be inclined to recommend that there be  
30 an additional sub-paragraph under 10 which would give







1 some real powers, some real regulatory powers to the  
2 C.C.C.S.?

3 MR. McMASTER: I would say our position at the  
4 present time is that we cannot see this is necessary.  
5 This is our submission and is the submission of  
6 N.A.C.C.U. also in the present situation or for the  
7 foreseeable future as we can see it, but if the  
8 Commission takes a different view, then what we are  
9 saying is that, even with a developed C.C.C.S., if it  
10 were allowed to develop in its full measure, and even  
11 if the Commission at the present time could not foresee  
12 the ways in which it might be used, that then you would  
13 have created an instrument that if at some subsequent  
14 time in the national interest it should be desirable,  
15 this instrument could be regulated and controlled in a  
16 manner which would forward the national interest and this  
17 would tend to have an effect right down through to the  
18 local credit union.

19 MR. GOUNDREY: Mr. Leman, it is important here  
20 also to remember that not all of the provincial centrals  
21 are members of C.C.C.S. When they do become members  
22 of C.C.C.S. they do, in fact, come under federal  
23 control.

24 COMMISSIONER LEMAN: Of a type, yes.

25 MR. GOUNDREY: Of a type. If C.C.C.S. is not  
26 very strong, this does not mean very much, so if it  
27 is deemed to be important that this organization, that  
28 these second and third tiers be controlled, C.C.C.S.  
29 is already an instrument by which the federal government  
30 does exercise some regulatory powers. The adequacy





1 is not the question at the moment. The question is,  
2 if you are in C.C.C.S. you are under some type of  
3 legislation and control. If all of the provincial  
4 centrals were members of C.C.C.S. they would all be  
5 under control without legislating about the provincial  
6 centrals.

7 COMMISSIONER LEMAN: What I am really  
8 wondering is if you think it would be a great deterrent  
9 to centrals to join C.C.C.S. and register under the  
10 Act if C.C.C.S. were given certain regulatory powers  
11 for the system? In other words, I am wondering to what  
12 extent the autonomy feeling in the system is so strong  
13 that they are basically refractory to any control.

14 MR. GOUNDREY: We are having a little difficulty

15 ---

16 MR. O'CONNELL: I think we ought to watch  
17 we do not have a misunderstanding on that point.  
18 We are autonomous bodies in the credit union movement,  
19 whether legally or historically, but still in all there  
20 is a great deal of discipline within the credit union  
21 movement and the locals have always listened to any  
22 reasonable advice coming down from central organizations,  
23 but they are not subject to it, and they do not want  
24 that to be the case ever. Because of their autonomy  
25 they are not likely to go off in wild directions,  
26 however. I think the context here in the C.C.C.S.  
27 brief is that by making the C.C.C.S. a more effective  
28 instrument that this pattern of communicating of  
29 responsible financial decisions -- if we may call it  
30 that for want of a better term -- will introduce an







1 element of responsiveness in the credit union movement  
2 which we may or may not have at the present time.  
3 I think it is largely communication you are talking  
4 about.

5 COMMISSIONER LEMAN: Via the persuasion route.  
6 Persuasion as a method of getting results is a method  
7 we have to study as a commission and it remains to  
8 be seen whether we decide it is effective or can work  
9 well or not.

10 MR. O'CONNELL: Persuasion is usually most  
11 effective when it is built upon a groundwork of  
12 experience and reasonable decisions coming from people  
13 you take your advice from.

14 COMMISSIONER LEMAN: I agree.

15 MR. McMASTER: I think there is another aspect  
16 of that, that as the credit union becomes part of an  
17 operating central there are certain advantages from  
18 a practical operational point of view which flow from  
19 this relationship, so that while the relationship is  
20 a voluntary one -- that is to say, the credit union  
21 may say, "We don't want anything more to do with  
22 the central" -- that whenever they say this they are  
23 cutting themselves off from certain advantages they  
24 have built for themselves. The same thing would be  
25 true if there is a strong Canadian Co-operative Credit  
26 Society: There would be certain advantages from which  
27 a central would be cutting itself off if it said, "Because  
28 we don't like this kind of regulation or control, or  
29 this kind of suggestion, we are not going to have  
30 anything more to do with this organization." So, as





1 long as C.C.C.S. is not very strong, you can cut off  
2 from it quite easily and not suffer in the process  
3 very much. If it becomes strong, it then has a much  
4 stronger base for expressing views or, as far as that  
5 goes, of having the effect of regulation if that  
6 were necessary, C.C.C.S. having an automatic effect  
7 on those who associate with it.

8 COMMISSIONER MACKINTOSH: I suggest you are  
9 paraphrasing the biblical text: "If need be that the  
10 offence cometh". You see certain advantages in being  
11 the offender.

12 COMMISSIONER LEMAN: In recommendation No. 5  
13 of that Section 10 of the summary, what security from  
14 a central do you visualize? On what kind of assets?  
15 Its loans? What would be the security? I am looking  
16 at the summary, page 4, section 10, recommendation  
17 No. 5.

18 MR. McMASTER: I think actually, sir, that  
19 the text indicates more clearly what is the present  
20 situation -- speaking roughly, and without going into  
21 some of the refinements of it -- the C.C.C.S. may lend  
22 up to 10 per cent of its shares and deposits to any  
23 one member; that in addition it may lend on the  
24 security of pledged governmental securities, putting  
25 it in a general category. What is now proposed here  
26 is that as to the 10 per cent, it may lend on the  
27 covenant of the central organization, it may lend without  
28 securities. What is proposed is that they should  
29 be able to lend to a central organization which is a  
30 member up to 20 per cent on the covenant to repay, and





beyond that percentage, of taking security including an assignment of book accounts as being security. One of the foundations of this is that the central organizations which are presently members of the C.C.C.S. do borrow actually on these kind of terms from the bank at the present time, and in some cases they will have unsecured loans in substantial amounts, and in some cases they give assignments of their book accounts. The limitation of 10 per cent is so restrictive that having regard to the size of the C.C.C.S. and its capacity to lend, that it is not a meaningful amount that central could borrow from the Co-operative Credit Society at present.

COMMISSIONER LEMAN: It depends on the size of C.C.C.S.?

MR. McMASTER: That is true. Even if you have, as they indicate here, increased your share capital to  $\$1\frac{1}{2}$  million, they have the power to borrow ten times that amount assuming they could borrow the whole of 10 times. If you take just one-tenth of that as being available for loan to any one of the three larger centrals, it would be a very small source of borrowing.

COMMISSIONER LEMAN: "Adequately secured" would have to be defined?

MR. McMASTER: Yes, that is right.

THE CHAIRMAN: Thank you very much, gentlemen. Once again the discussion with you gentlemen -- and most of you are familiar to us -- has been very useful, and we will give your views the fullest consideration.







1 MR. JOHNSON: Thank you, sir.

2 --- Adjournment.

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# Royal Commission on Banking and Finance

Credit Union National Association.  
National Association of Canadian Credit Unions.  
Canadian Co-operative Credit Society Ltd.

Hearings  
held at

Ottawa

Vol.

Date.

23A

13 JULY, 1962



Official Reporters  
F. J. Nethercut and R. J. Young  
Toronto, Ont.







ROYAL COMMISSION ON BANKING AND FINANCE

CREDIT UNION BRIEFS

Credit Union National Association,  
National Association of Canadian Credit Unions, and  
Canadian Co-operative Credit Society Limited have  
retained and authorized

Robert J. McMaster

Barrister and Solicitor

1403 - 1030 West Georgia Street

Vancouver 5, B.C.

to file the briefs herein referred to with the  
Commission.

At the hearing of the briefs the  
several associations will be represented by their  
respective senior officers, one of whom will present  
the brief and the others, together with Counsel and  
Prof. Gordon Goundrey, their economic adviser, will  
be available to answer the Commission's questions.

A list of such officers will be  
supplied at the hearing, or earlier if requested,  
together with their positions and addresses.

COMMISSION ON INVESTIGATION AND FINANCE

REPORT OF THE COMMISSION

CHAPTER I - GENERAL INFORMATION

National Association of Canadian Credit Unions, and

Canadian Co-operative Credit Union Association

retained and authorized

Robert J. McMaster

Barrister and Solicitor

100 Victoria Street

Ottawa, Ontario

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INTRODUCTORY STATEMENT

TO

CREDIT UNION BRIEFS

TO

THE ROYAL COMMISSION ON BANKING AND FINANCE

1. Purpose of Statement

Three organizations brought into being by credit unions serve English speaking credit unions (and some French speaking credit unions as well). They are, Credit Union National Association (CUNA), National Association of Canadian Credit Unions (NACCU) and Canadian Co-operative Credit Society Limited (CCCS). Each performs a different although related function. To emphasize the difference, the submission of the English speaking credit unions (other than some of those represented by the Ontario Credit Union League) is being presented to this Commission in three separate briefs.

2. CUNA

CUNA is an international association with headquarters at Madison, Wisconsin, but maintaining a Canadian office and manager at Hamilton, Ontario. It was one of the earliest influential factors in the development of credit unions in Canada through its educational and promotional programs.

3. NACCU

NACCU is a national association of



THE ROYAL COMMISSION ON BANKING AND FINANCE

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NACCU is a national association of





1 credit union leagues which was created by those  
2 leagues in B.C., Alberta, Saskatchewan, Manitoba,  
3 Quebec and Nova Scotia. Briefly the main object of  
4 NACCU is to co-ordinate the promotional, educational  
5 and legislative activities of provincial leagues as  
6 related to issues arising out of Canadian develop-  
7 ment.

8  
9 4. CCCS

10 CCCS is a nationally incorporated  
11 association of co-operative credit societies. The  
12 largest co-operative credit societies, British  
13 Columbia, Saskatchewan, Manitoba and Ontario are  
14 members. Ten co-operative associations of other  
15 types engaged in interprovincial business may be-  
16 come members and six are members. CCCS is an ex-  
17 tension of the principle of provincial co-operative  
18 credit societies to the national scene.

19 5. Organizational Chart

20 Annexed to this introductory state-  
21 ment is a schedule setting forth an organizational  
22 chart showing the relationship between credit unions  
23 in Canada and these organizations and a brief state-  
24 ment of the objects and activities of each.

25  
26 6. Manner of Presentation

27 At the provincial hearings the Com-  
28 mission showed a great deal of interest in the  
29 different types of credit union organization. To  
30 facilitate a clear cut picture of the extension





usually, however, the credit union movement is not a purely financial movement, but a social movement, and it is this social aspect which is the basis of its strength.

NACU is to co-ordinate the promotional, educational and legislative activities of provincial leagues as related to issues arising out of Canadian development.

CCCS is a nationally incorporated association of co-operative credit societies. The largest co-operative credit societies, British Columbia, Saskatchewan, Manitoba and Ontario are members. Ten co-operative associations of other types engaged in interprovincial business may become members and six are members. CCCS is an extension of the principle of provincial co-operative credit societies to the national scene.

### 5. Organizational Chart

Annexed to this introductory statement is a schedule setting forth an organizational chart showing the relationship between credit unions in Canada and these organizations and a brief statement of the objects and activities of each.

### 6. Manner of Presentation

At the provincial hearings the Commission showed a great deal of interest in the different types of credit union organization. To facilitate a clear cut picture of the extension



1 of these organizations on the national scene, the  
2 representatives of the English speaking credit unions  
3 propose to present their national submission by  
4 three separate briefs and to make available  
5 knowledgeable officers of each of these three  
6 organizations to assist the Commission. In pre-  
7 paring these briefs we have sought to have regard  
8 not only to the general terms of reference but  
9 also specifically to those areas of the enquiry in  
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1 SCHEDULE TO INTRODUCTORY STATEMENT

2 TO CREDIT UNION BRIEFS

3 ROYAL COMMISSION ON BANKING AND FINANCE

4 FUNCTIONAL DESCRIPTION

5 Autonomous Credit Unions

6 These are incorporated under the Credit  
7 Union Acts of all of the Provinces of Canada. Details  
8 of their operations have been given in briefs filed  
9 in the various provinces.

10 Provincial Credit Union Leagues

11 Associations whose members are all  
12 credit unions and have the following principal  
13 objects:

- 14 (1) The promotion of useful legislation;  
15 (2) Assistance in the practical application  
16 of legislation;  
17 (3) Organization of credit unions;  
18 (4) Assistance in supervision of bookkeeping  
19 and accounting;  
20 (5) The pooling of experience;  
21 (6) A source of supplies;  
22 (7) Officer and member education;  
23 (8) The preservation and extension of the  
24 credit union idea (Education and  
25 public relations)

26  
27 CUNA (Credit Union National Association)

28 This is an international organization  
29 originally brought into being as an association of  
30 State Leagues of credit unions in the U.S.A. but





ARTICLE TO INTRODUCE

TO THE CREDIT UNION ACT

THE CREDIT UNION ACT

SECTION 1

Interpretation

These are the provisions of the Act

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credit union idea (Education and  
public relations)

CUNA (Credit Union National Association)

This is an international organization  
originally brought into being as an association of  
State Leagues of credit unions in the U.S.A. but





1 subsequently expanded to include Canadian Provincial  
2 Leagues and Leagues in other countries. Its chief  
3 objects are advisory, educational and promotional.  
4 In the United States it also performs the function  
5 of the promotion of useful legislation.

6  
7 NACCU (National Association of Canadian Credit Unions)

8 This is a recently formed association  
9 of Canadian Credit Union Leagues incorporated under  
10 the Companies Act of Canada, for the principal pur-  
11 pose of representing Provincial Leagues of Credit  
12 Unions in Canada in representations to governments  
13 and governmental bodies and agencies and dealing with  
14 peculiarly Canadian problems. The English speaking  
15 credit union leagues in every province except Ontario,  
16 New Brunswick and Newfoundland (which has no league)  
17 are at this date members. It is expected this  
18 organization will ultimately perform educational  
19 and promotional activities related to Canadian  
20 developments.

21 Co-operative Credit Societies and League Central  
22 Divisions

23 These are either incorporated by or  
24 under Acts of the Provincial legislatures or form  
25 definite divisions within incorporated provincial  
26 credit union leagues. The members are principally  
27 credit unions. In the case of league centrals  
28 individual credit union members may be served by  
29 mortgage loans. In the case of co-operative credit  
30 societies certain other corporate members are in-



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Co-operative Credit Societies and Leagues (English)

Division

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 credit union leagues. The members are principally  
 credit unions. In the case of league councils  
 individual credit union members may be served by  
 mortgage loans. In the case of co-operative credit  
 societies certain other corporate members are in-



cluded which are organized on the basis of co-operative principles. In central type associations the credit unions pool their surplus and liquid funds to assist each other in accordance with credit union principles.

They generally have the following principal objects:

- (1) To act as a depository of funds for its members;
- (2) To provide a source of funds for its members and an instrument for the investment of surplus funds in government or government secured bonds;
- (3) To act as a clearing house for "chequing" services;
- (4) To assist credit unions as a business consultant and source of economic information;
- (5) To promote sound practices amongst its members.

CCCS (Canadian Co-operative Credit Society)

This is a national credit union to which the four major English speaking centrals (or provincial co-operative credit societies) in British Columbia, Saskatchewan, Manitoba and Ontario belong. Initially it was designed to serve as a national co-operative credit organization through which Provincial Co-operative Credit Societies could pool their funds in a manner similar to the way in which co-operative credit



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societies operate provincially. It is incorporated by Private Act of the Parliament of Canada and operates under the Co-operative Credit Associations Act. Due to certain limitations in that Act, which have made it difficult to perform its functions as originally envisaged and also made it difficult for Co-operative Credit Societies in other provinces to join (requiring a Private Act), its operations have been restricted.





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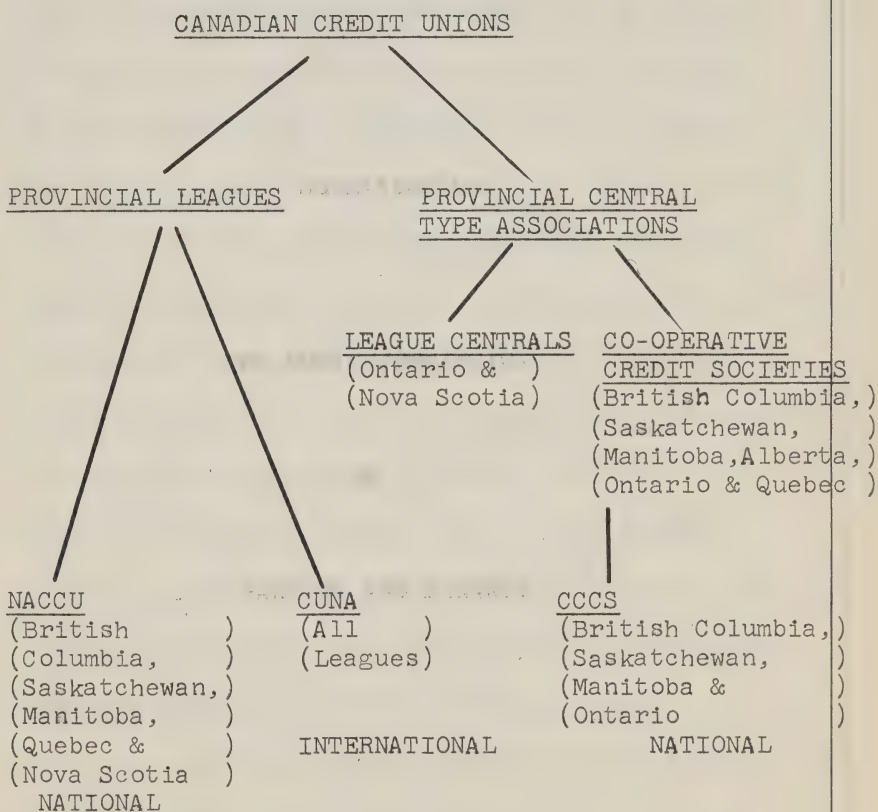




INTRODUCTORY  
  
SCHEDULE TO  
  
INTRODUCTORY STATEMENT  
  
TO  
  
CREDIT UNION BRIEFS  
  
TO

THE ROYAL COMMISSION ON BANKING AND FINANCE

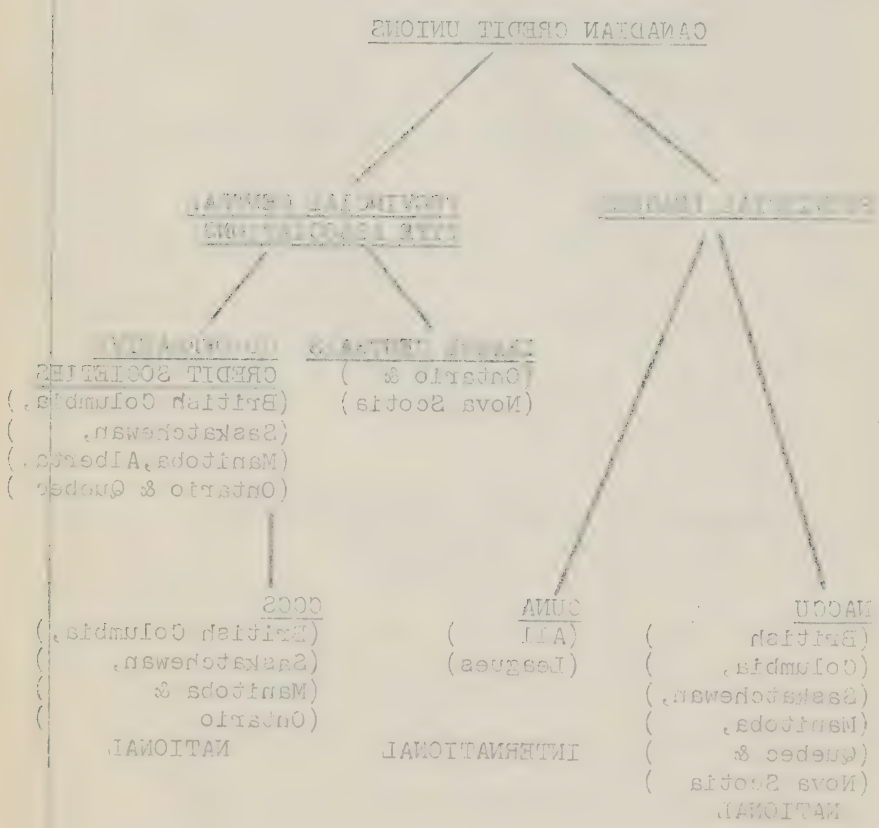
ORGANIZATIONAL CHART





INTRODUCTORY  
 SCHEDULE TO  
 INTERNATIONAL STATISTICS  
 CREDIT UNION BRIEFS  
 TO  
 THE ROYAL COMMISSION ON BANKING AND FINANCE

ORGANIZATIONAL CHART





Summary of Brief

of

CREDIT UNION NATIONAL ASSOCIATION, INC.

P. O. Box 431

P. O. Box 800

Madison, Wisconsin

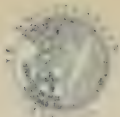
Hamilton, Ontario

Submitted to

THE ROYAL COMMISSION

ON

BANKING AND FINANCE



11.11

Summary of Brief

CREDIT UNION NATIONAL ASSOCIATION, INC.

P. O. Box 431

Madison, Wisconsin

Submitted to

THE ROYAL COMMISSION

ON

THE FINANCIAL SYSTEM

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INTRODUCTION

1. The Credit Union National Association (CUNA), is an international organization with headquarters in Madison, Wisconsin. A Canadian office is also maintained in Hamilton, Ontario. All English-speaking leagues in Canada are members of the Association.

HISTORY

2. The credit union movement in the United States had its beginning early in the 20th Century, at a time when usury was rampant and one of the greatest needs of people of modest means was for a convenient source of low-cost credit, as well as encouragement of a systematic thrift program. It was in this setting that the noted Boston merchant, Edward A. Filene, concentrated much of his time, energy and personal fortune to establish and cultivate the credit union movement. The founder of the movement in Canada, Alphonse Desjardins, also played an important role when he crossed the border in 1908 to organize a credit union at the French Catholic parish of St. Marie in New Hampshire and thus firmly transplanted the credit union concept and philosophy into the United States.

3. As the idea spread, Mr. Filene became convinced that a national association should be created to press for passage of credit union acts throughout the country, to set up pilot credit unions where the laws permitted, and to develop and foster uniform practices. To this end, he



INTRODUCTION

THE UNITED CREDIT UNION MOVEMENT

(PART I) - THE UNITED CREDIT UNION MOVEMENT

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1 brought to life in 1921, together with a young  
2 Massachusetts attorney named Roy F. Bergengren,  
3 the Credit Union National Extension Bureau.  
4 During the next decade, Mr. Bergengren led the way  
5 in getting 24 new state credit union laws enacted  
6 and in increasing the total number of credit unions  
7 from less than 200 to more than 1,600.

#### 8 CUNA FORMED

9 4. At an historic meeting on August 10, 1934  
10 in Estes Park, Colorado, the constitution and bylaws  
11 for a new organization to be called the Credit  
12 Union National Association (CUNA) were signed,  
13 and within a few months CUNA assumed direction of  
14 the organized credit union movement from the  
15 Extension Bureau.

16 5. Originally an association solely of  
17 United States credit unions, CUNA expanded in 1939  
18 to encompass all of the Western Hemisphere, and in  
19 1958 extended its activities throughout the world.

#### 20 GOALS OF CUNA

21 6. To achieve its overall goal of promoting,  
22 improving, and extending credit unions, CUNA has  
23 established departments which function in the areas  
24 of organization, education, legislation, advertising  
25 and promotion, insurance services, public relations,  
26 and research.

27 7. Since its inception, CUNA has been the  
28 recognized spokesman for all United States credit  
29 unions on Federal legislation and on other matters  
30 of direct Federal concern. A comparable service



the Credit Union National Extension Bureau.

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### Early History

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### GOALS OF CUNA

Improving, and extending credit unions, CUNA has established departments which function in the areas of promotion, insurance services, public relations, and research.

Since its inception, CUNA has been the recognized spokesman for all United States credit unions on Federal legislation and on other matters of direct Federal concern. A comparable service



1 has also been provided for individual state leagues.  
2 8. CUNA has been pleased to stand in  
3 this relationship to the leagues in Canada as well  
4 for some years. However, differences in the pattern  
5 of development described elsewhere in this summary,  
6 and a natural degree of national identification among  
7 credit unions in Canada recently gave rise to a  
8 representative National Association of Canadian  
9 Credit Unions (NACCU), which represents most of the  
10 English-speaking provincial leagues before this  
11 Commission. CUNA considers it a privilege to be  
12 associated with NACCU and the Canadian Cooperative  
13 Credit Society (another instrument of Canadian  
14 credit unions) in making representations to this  
15 Commission.

16 CUNA AFFILIATES

17 9. One of the first major actions taken by  
18 CUNA in 1935 was to organize the CUNA Mutual Insurance  
19 Society, its own insurance company, to encourage  
20 thrift and foster security among credit union  
21 members. This facility provides dollar-for-dollar  
22 life insurance on shares up to the stated maximum  
23 amount and loan protection insurance in the event  
24 of death or permanent disability of the borrower.  
25 Premiums for both forms of insurance, with few  
26 exceptions, are paid by the credit union out of  
27 earnings.

28 10. In 1936, CUNA formed its own printing  
29 facility, the CUNA Supply Cooperative, to make  
30 available to the credit union movement on a cooperative,



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1 self-help basis the bookkeeping and other operating  
2 supplies needed on a daily basis. Through this medium  
3 it has been possible to effect the savings which  
4 go with quantity printing of uniform but specialized  
5 credit union materials.

6 11. Both of these affiliates have been widely  
7 used by credit unions in the United States and  
8 Canada to help promote thrift and reduce the  
9 expense of operating credit unions.

10 PATTERNS OF DEVELOPMENT

11 12. Although the local autonomous nature of  
12 credit unions has resulted in utilization of a  
13 variety of techniques and diversity of methods in  
14 attainment of desired ends in both countries, the  
15 basic philosophy and aims of the Canadian movement  
16 have closely paralleled those in the United States.  
17 This may help clarify for the Commission the  
18 reason leagues in most provinces of Canada are and  
19 remain members of both CUNA and NACCU.

20 13. From the beginning, credit unions in  
21 Canada have been incorporated by Provincial  
22 Legislatures. As they grew and required new  
23 legislative provisions to meet their changing needs,  
24 the provinces have cooperated with the leagues in  
25 the introduction of useful amendments and revisions  
26 to the law. In short, the Canadian movement has  
27 found provincial jurisdiction and legislation to  
28 be responsive, sympathetic and favorable.

29 14. By contrast, the development of credit  
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1 along both state and Federal lines. This dual  
2 system parallels the United States banking and  
3 savings and loan structures, and has led to no  
4 serious legal or administrative problems.  
5 Statistically, the Federal-state development has been  
6 virtually equal. On December 31, 1961, there were  
7 an estimated 10,300 federally-chartered credit  
8 unions in operation and 10,550 chartered by the  
9 various states. Although some differences in  
10 specifics do exist, the basic and overall  
11 similarity between the Federal and state acts is  
12 striking. This may be accounted for by a common  
13 philosophy and the fact that changes in one act fore-  
14 shadow trends and need for change in others.

15 15. Under the constitutional arrangement in  
16 the United States the existence of Federal and  
17 state legislation touching upon the same field  
18 presents no constitutional problems.

19 INTERRELATIONS WITH COOPERATIVES

20 16. Today, a much larger proportion of United  
21 States credit unions serve employees of industrial  
22 and business concerns than in Canada. The  
23 relatively lesser involvement of industrial workers  
24 in urban areas, as compared to primary producers  
25 and others residing in rural areas in the general  
26 cooperative movement in both countries, may account  
27 in some measure for the smaller overall inter-  
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CHEQUING SERVICE

17. A divergence of view reflects itself on the Canadian scene in the matter of so-called "chequing". This service is traditionally not available through savings and loan associations, savings banks or credit unions in the United States and there is no legislative foundation for providing same through these sources.

18. The opposite has been true in Canada, and a number of types of savings institutions have developed "chequing" services for the convenience of their depositors. Many Canadian credit unions provide this service and have found that it also results in encouragement of savings through the transfer to the member's share account of sums not required for immediate obligations. However, this view is not universally held throughout Canada, with some credit unions having rather strong opinions against the service.

STABILITY AND HISTORY OF LOSSES

19. Credit unions in both countries have established a remarkable record of stability and fiscal soundness. Losses due to uncollectible loans have been minor and liquidations have generally been due to external forces beyond the control of the credit union directly involved. This impressive record is probably largely attributable to the following built-in protective factors:

(1) Internal Control -- Great emphasis

has traditionally been placed on effective

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1 internal control within each credit union, and  
2 in the larger credit unions the utilization of  
3 public accountants to audit the books and  
4 records is becoming increasingly prevalent.

5 (2) Bonding -- CUNA offers to all credit  
6 unions through its bonding program a specially  
7 designed blanket bond which covers the true  
8 assets of each insured credit union (with \$1  
9 million or \$2 million maximum) against insured  
10 losses which occur after its effective date.

11 (3) Reserves -- Each credit union is  
12 required by law to set aside a portion of its  
13 earnings (usually 20 per cent) in a reserve  
14 or guaranty fund against uncollectible loans.

15 (4) Stabilization Programs -- A number  
16 of leagues throughout the United States and  
17 Canada have established stabilization programs  
18 designed to assist credit unions in difficulty  
19 to rehabilitate or liquidate without loss  
20 to their members. An International Credit  
21 Union Stabilization Program was launched in  
22 1961 under the sponsorship of CUNA and 14  
23 leagues currently participate therein.

#### 24 FEDERAL DEPOSIT INSURANCE

25 20. Another factor worthy of consideration is  
26 the development of the Federal Deposit Insurance  
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1 fully studied the matter of similar insurance for  
2 credit unions and after due and lengthy deliberation  
3 concluded that such insurance is both unnecessary and  
4 undesirable for the following reasons:

5 (1) The remarkably favorable loss experience  
6 of credit unions over the years.

7 (2) The burdensome controls, regulations and  
8 expense which would probably be incidental  
9 thereto.

10 (3) It would be inconsistent with the  
11 mutual aid, self-help principles which are the  
12 cornerstone of the credit union philosophy.

13 (4) The credit union movement has the desire  
14 and ability to set up its own safeguards.

15 Stabilization programs, previously referred to,  
16 are but another concrete manifestation of  
17 internal actions taken in this direction.

18 TAXATION

19 21. CUNA recognizes and has taken the position  
20 on a number of occasions before the United States  
21 Congress that exemption from income tax is vital and  
22 indispensable to the organizational structure of  
23 credit unions which allows them to serve as non-  
24 profit, self-help, voluntary associations functioning  
25 for the welfare of their members, their community  
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22. Credit unions in the United States have been thus exempt for many years. Bills proposing to repeal the exemption have been introduced from time to time, but in recognition of the unique, non-profit character of credit unions, Congress has refused to take action on them.

23. As recently as April, 1961 this view found expression and re-emphasis in a message on taxation which President Kennedy sent to the Congress. Despite proposals that taxation of cooperatives and financial institutions be increased, Mr. Kennedy specifically recommended that the exemption of credit unions should be continued. This position of the administrative branch of the U. S. Government was subsequently reiterated by Secretary of the Treasury Douglas Dillon in testimony before the House Ways and Means Committee.

#### APPRECIATION

24. CUNA has been pleased to be invited to make submissions to this Commission, and to assist NACCU and the Canadian Leagues through its Canadian Manager, Mr. Robert Ingram, the director of its research department, Dr. Walter Polner, and other members of its staff in making their submissions.

25. We would also like to express appreciation to NACCU Attorney Robert J. McMaster with whom we had the privilege of consulting on several occasions in connection with this brief.

26. We trust our submission, together with the other credit union submissions made to the Commission will prove helpful in its study and deliberations.





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BRIEF OF  
CREDIT UNION NATIONAL ASSOCIATION, INC.  
SUBMITTED TO  
THE ROYAL COMMISSION ON BANKING AND FINANCE

INTRODUCTION

1. The Credit Union National Association (CUNA) is an international organization with headquarters in Madison, Wisconsin. A Canadian office is also maintained in Hamilton, Ontario. All English-speaking credit union leagues in Canada are members of CUNA, which looks with pride upon the Canadian Credit Union Movement because it had a large share in its development and retains a continuing close liaison and relationship with the leagues in every province of Canada.

HISTORY

2. The credit union movement in the United States had its beginnings early in the 20th Century, when the lot of the common workman and urban dweller was a more difficult one than it is today. One of his greatest needs was for a convenient, low-cost source of credit, particularly in emergencies (for in those days the average man rarely borrowed for other purposes). In an emergency he was often subjected to harsh terms even though the amount he sought to borrow was small. However, the basic need as seen in the eyes of that generation was the encouragement of thrift particularly among persons of



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1 very modest means. Credit was virtually unheard  
2 of on the wide base we know today as an accepted  
3 practice of ordinary living. Financial institutions,  
4 of which there were relatively few, had little time,  
5 consideration for, or understanding of the problems  
6 of such people.

7 3. It was in this setting that a great  
8 idealist, Edward A. Filene, spurred on by a success-  
9 ful history of "Peoples' Banks" abroad as a means  
10 of cooperative, mutual self-help among the workers  
11 and primary producers, concentrated his great  
12 energy, devotion and personal wealth to plant the  
13 seeds and cultivate development of the Credit  
14 Union Movement in the United States.

15 4. The history and growth of that development  
16 is exciting to those who have watched it unfold.  
17 For purposes of this Commission, however, perhaps  
18 that history is most simply told in the fact of  
19 its remarkable success.

20 5. It is to the founder of the movement in  
21 Canada, Alphonse Desjardins, that the United States  
22 owes the credit union concept and philosophy. In  
23 1908, at a time when there were 18 credit unions  
24 in operation in Quebec, Desjardins came into the  
25 United States to organize a credit union at the  
26 French Catholic parish of St. Marie in New Hampshire.

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2 7. The most influential of the businessmen who  
3 testified in favor of this enlightened, forward-  
4 looking legislation was Edward A. Filene, Boston  
5 merchant and philanthropist. Filene had seen  
6 cooperative credit societies work in India while  
7 on a trip there in 1907. Filene returned home,  
8 impressed by the soundness of the idea and by the  
9 service these societies rendered, and injected  
10 Massachusetts legislators with his enthusiasm.

11 8. The Russell Sage Foundation was chartered  
12 in 1907 to find remedies for the loan-shark problem  
13 which was victimizing the people of New York. Its  
14 Department of Remedial Loans played a major part  
15 in small-loan legislation from 1910 to 1946. Credit  
16 unions received vigorous support from this depart-  
17 ment beginning about 1911. The passage of the New  
18 York credit union law, the setting up of the state  
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20 pilot credit unions, and the publication of  
21 informative literature were all part of the service  
22 the Foundation gave to the infant credit union  
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24 9. Desjardins campaigned for credit union  
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26 of the Foundation. The bill, offered by State Senator  
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1       governors urging the enactment of laws similar to that  
2       in Massachusetts, but only three additional workable  
3       laws resulted. A Congressional Commission was also  
4       studying at this time cooperative credit abroad,  
5       principally in Germany and Italy.

6       11.       Filene persisted in the idea that if the  
7       credit union was good for an average group of wage  
8       workers in Massachusetts, it was equally good for  
9       workers anywhere in the world. His driving interest,  
10      plus his contributions of over a million dollars  
11      up to 1934, are largely responsible for the develop-  
12      ment of a credit union movement in North America.

13      12.       By 1921, Filene had become convinced that  
14      a national organization should be created to press for  
15      passage of credit union laws in other states, to  
16      set up pilot credit unions in each state where the  
17      law permitted, and to develop uniform practices.  
18      He hired a young Massachusetts attorney named Roy F.  
19      Bergengren, and together, in that year they brought  
20      to life the Credit Union Nation Extension Bureau,  
21      with an office in Boston.

22      13.       During the next decade, Bergengren led the way  
23      in getting 24 new state credit union laws enacted,  
24      and four or five others altered. Enthusiastic  
25      credit union officials were encouraged to organize  
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3 14. At an historic meeting on August 10, 1934,  
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7 National Association. (CUNA).

8 15. Within the next few months the consti-  
9 tution was ratified by credit unions in 36 states and  
10 on March 1, 1935, CUNA officially took over direction  
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12 Credit Union National Extension Bureau. Edward A.  
13 Filene was elected its first president, and Mr.  
14 Bergengren was named managing director. The new  
15 national association set up headquarters during  
16 September, 1935, in Madison, Wisconsin.

17 16. At first CUNA was an association only of  
18 United States credit unions, but in 1939 it voted  
19 to include credit union leagues from Canada, and  
20 elsewhere in the Western Hemisphere, adding almost  
21 500 credit unions and 60,000 members to its membership  
22 rolls. In 1958 its area of operations was further  
23 expanded to take in leagues and credit unions  
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25 GOALS OF INTERNATIONAL ASSOCIATION

26 17. CUNA's specific goals are to promote  
27 organization of new credit unions, perfect credit  
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1 efforts of all credit unions in their drive to  
2 eliminate usury and other abuses from the field of  
3 personal finance.

4 18. To achieve these goals, CUNA has  
5 established departments operating in the areas of  
6 organization, education, legislation, advertising  
7 and promotion, insurance services, research and  
8 public relations. In 1953 the World Extension Department  
9 was set up to help spread the credit union idea  
10 throughout the entire world.

11 19. Because of the emphasis on the common  
12 bond as a prerequisite for formation and the  
13 continuing organization of new credit unions, three-  
14 fifths of all credit unions in the United States  
15 are small -- under \$100,000 in assets. (See Schedule 1  
16 attached.) However, where the potential membership  
17 under the common bond is large, e.g. in industrial  
18 plants, some credit unions may have grown to  
19 substantial size. Whether small or large, however,  
20 credit unions in the U.S.A. have remained the  
21 democratic instrument of ordinary persons, the  
22 worker in the plant and the farmer in the rural  
23 community. Further, they have almost universally  
24 remained associated with each other in leagues, and  
25 through leagues in CUNA, for practical, educational,  
26 promotional and legislative purposes based upon  
27 their common philosophy and goals.

#### 28 SIZE AND DIVERSITY

29 20. Annexed as Schedules II through VI hereto  
30 will be found extracts from the 1962 CUNA Credit



...credit unions in their drive to  
...state many and other abuses from the field of  
...

To achieve these goals, CUNA has  
...established departments operating in the areas of  
...organization, education, legislation, advertising,  
...and promotion, insurance services, research and

was set up to help spread the credit union idea  
throughout the entire world.

19. Because of the emphasis on the common

bond as a prerequisite for formation of the

continuing organization of new credit unions, three-

fifty of all credit unions in the United States

are small -- under \$100,000 in assets. (See Schedule

attached.) However, where the potential membership

under the common bond is large, e.g. in industrial

plants, some credit unions may have grown to

substantial size. Whether small or large, however,

credit unions in the U.S.A. have remained the

democratic instrument of ordinary persons, the

worker in the plant and the farmer in the rural

area. They have remained the only financial institution

remained associated with each other in leagues, and

through leagues in CUNA, for practical, educational,

promotional and legislative purposes based upon

the common philosophy and goals.

Annexed as Schedule II through VI hereto

is the found extracts from the 1952 CUNA Yearbook





1 Union Yearbook and Schedule VII from the Report of  
2 Operations of the Bureau of Federal Credit Unions  
3 which will give to the Commission some picture of  
4 the size and the diversity of credit union develop-  
5 ment in the United States.

6 CUNA AFFILIATES

7 21. One of the first major actions taken by  
8 CUNA in 1935 was to organize the CUNA Mutual Insurance  
9 Society, its own insurance company, to encourage  
10 thrift and foster security among credit union  
11 members. This facility provides dollar-for-dollar  
12 life insurance on shares up to the stated maximum  
13 amount and loan protection insurance in the event  
14 of death or permanent disability of the borrower.  
15 Premiums for both forms of insurance, with few  
16 exceptions, are paid by the credit union out of  
17 earnings.

18 22. CUNA Mutual started with \$25,000 borrowed  
19 from Mr. Filene and experienced growth closely  
20 paralleling that of the credit union movement.  
21 Each year it has risen in the ranks among life insurance  
22 companies in America on the basis of coverage, and  
23 today his coverage of \$6.3 billion as of December 31,  
24 1961. Of this total, \$803 million covers Canadian  
25 credit unions.

26 23. In 1936, CUNA formed its own printing  
27 facility, the CUNA Supply Cooperative, to make avail-  
28 able to the credit union movement on a cooperative,  
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6 widely used by credit unions in the United States  
7 and Canada and to help promote thrift and to reduce  
8 the expense of operating credit unions. Their  
9 common goal is to function as nearly at cost as  
10 appears safe within prudent businesslike practice in  
11 order to furnish the best possible service at the  
12 lowest possible cost.

#### 13 EDUCATIONAL PROGRAMS

14 25. The need for up-to-date educational  
15 programs designed to enhance and improve the  
16 understanding of members of the function of their  
17 credit union, and to train directors, committeemen  
18 and staff, has increased with the growth of credit  
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#### 23 LEGISLATION

24 26. Since its inception, CUNA has been the recog-  
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6 a representative National Association of Canadian  
7 Credit Unions (NACCU), which represents most of  
8 the English-speaking provincial leagues before this  
9 Commission. CUNA considers it a privilege to be  
10 associated with NACCU, and the Canadian Cooperative  
11 Credit Society (another instrument of Canadian  
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13 Commission.

14 PATTERNS OF DEVELOPMENT

15 (CANADA AND UNITED STATES)

16 27. While the overall function of CUNA as  
17 a voluntary association of state, provincial and  
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7 29. It may be helpful for CUNA to further  
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9 mental patterns between the United States and  
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11 At the outset, we might say they arise generally  
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18 30. The organization of the credit union  
19 movement in English-speaking Canada came (as  
20 explained in NACCU's brief) at a most propitious time.  
21 (The phrase "English-speaking credit unions" is  
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22 As they grew and required new legislative provisions  
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#### 26 DUAL DEVELOPMENT OF U.S. CREDIT UNIONS

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1 state and Federal lines. The Federal Credit Union  
2 Act became effective in that year and state acts,  
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4 in some 44 states.

5 33. The dual Federal-state credit union system,  
6 paralleling the banking, and savings and loan  
7 structures, has led to no serious legal or adminis-  
8 trative problems. Perhaps indicative of the  
9 compatibility of the two credit union legal systems  
10 is the fact that the Federal law, since 1959, has  
11 provided for conversion of a credit union from  
12 a Federal to a state charter and vice versa.

13 34. Statistically, the Federal-state trend  
14 of development has been virtually equal. On  
15 December 31, 1961, there were an estimated 10,300  
16 federally chartered credit unions in operation and  
17 10,550 chartered by the various states. In some  
18 states, Federal charters predominate while in others  
19 the reverse is true. The Federal Credit Union Act,  
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21 be regarded as a model and many state acts have been  
22 or are in the process of being revised along similar  
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24 state and Federal statutes do not differ radically  
25 in purpose and content. The determining factors as  
26 to whether Federal or state charters predominate in  
27 a given state seem to be: (1) priority of enactment  
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1 Federal government supervisory departments.

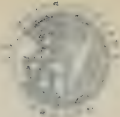
2 35. Annexed as Schedule VIII hereto is the  
3 most recent booklet on comparative legislation  
4 published by CUNA. It may give to the Commission  
5 some picture of the diversity of laws governing  
6 credit unions, but also may serve to emphasize the  
7 basic similarity.

8 36. Under the constitutional arrangement  
9 in the United States the existence of Federal  
10 and state legislation touching upon the same field  
11 presents no constitutional problems.

12 INTERRELATIONS WITH COOPERATIVES

13 37. The large growth and concentration of  
14 industry in the United States has been a significant  
15 factor in determining the direction taken by the  
16 credit union movement within its borders. Since  
17 it was demonstrated early that industrial employ-  
18 ment forms a particularly favorable common bond,  
19 a major portion of the promotion of credit unions  
20 has been concentrated in this area. Today, a  
21 larger proportion of U. S. credit unions serve  
22 employees of various business concerns than in  
23 Canada.

24 38. The lesser general involvement of industrial  
25 workers in urban areas as compared to primary  
26 producers and others residing in rural areas in the  
27 general cooperative movement in both countries, may  
28 account in some measure for the overall smaller  
29 interrelationship and identification between credit  
30 unions and cooperatives in the U. S. as compared to



Canada. Since a much larger number of members of

credit unions are also members of one or more

cooperatives in Canada, the movement north of the

border has more universally regarded credit unions

as only one of several instruments of cooperation

through which people seek to better their lot through

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the movement in the U. S. has tended to restrict

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39. A divergence of view reflects itself in

the Canadian scene in the matter of so-called

"chording". This service traditionally is not

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and loan associations or credit unions in the United

States and there is no legislative foundation for

providing same through these sources.

40. In Canada the opposite has been true.

Many types of savings institutions have developed

so-called "chording" services for the convenience

of their depositors. Many credit unions in Canada

have adopted this system not only as a convenience

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make the maximum savings which they can out of

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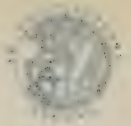
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2 STABILITY AND HISTORY OF LOSSES

3 42. Credit unions in both countries established  
4 a remarkable record of stability and fiscal soundness.  
5 Losses due to uncollectible loans have been slight  
6 and liquidations have generally been prompted by  
7 external forces beyond the control of the credit  
8 union directly involved. This impressive record  
9 is probably largely attributable to the following  
10 built-in protective factors:

11 1. Internal control -- great emphasis has  
12 traditionally been placed on building an effective  
13 system of internal control within each credit union.  
14 Moreover, in larger credit unions, public accountants  
15 are usually employed to audit records.

16 2. Bonding program -- to safeguard members'  
17 funds, credit unions are required by law to carry  
18 insurance in the form of a bond which covers persons  
19 in the credit union who handle money. A notable  
20 development in CUNA's surety bonding program came  
21 with the introduction of a specially designed  
22 blanket bond which insures the true assets of each  
23 credit union up to \$1 million against losses which  
24 occur after the effective date of issuance.

25 3. Reserves -- by law, credit unions must set  
26 aside a portion of their earnings (usually 20 per cent  
27 of net) in a reserve, or guaranty fund. This fund  
28 is primarily used to charge off loans when a borrower  
29 does not meet his obligation. In addition, credit  
30 unions may be required to establish special reserves





INTERNATIONAL CREDIT UNION STABILIZATION PROGRAM

Throughout the U.S. and Canada have explored methods of helping themselves in times of stress and many leagues have set up stabilization programs. Basically, a stabilization program is a technical assistance plan which can be used to help a credit union to rehabilitate or liquidate without loss to members. For example, when a manufacturing plant closes and the employee group which operated the credit union is broken up, the league stabilization program is available to assist in liquidation of the credit union without loss to the members. An International Credit Union Stabilization Program was launched in 1961 under the sponsorship of CUNA and 14 leagues currently participate therein.

5. Supervision -- on the whole has been useful

and effective.

FEDERAL DEPOSIT INSURANCE

43. Another factor in the United States which may be of interest to this Commission is the development of the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation. The need for this type of insurance was recognized when the U.S. banking and savings and loan systems crumbled under the weight of the Depression in the 1930's. Annexed as Schedule IX hereto is a brief summary of the history, provisions and methods of operation of the



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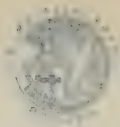
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7 45. CUNA believes that such insurance for credit  
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9 reasons:

10 (1) The history of losses by members of credit  
11 unions over the years has been negligible. This  
12 has been shown in Canada in the various briefs  
13 presented to the Commission by provincial leagues.  
14 The loss experience of credit unions in the United  
15 States has been remarkably favourable.

16 (2) Such a system would carry with it the  
17 need for extensive and, in our view, unnecessary  
18 controls and regulations which would be expensive,  
19 but necessary as the base for an insurance plan  
20 established for independent units. Credit unions  
21 have amply demonstrated the ability to police them-  
22 selves through voluntary cooperation and self-  
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24 responsibility, and is preferable to control and  
25 regulation.

26 (3) The existence of such a system for credit  
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1 might be encouraged.

2 (4) Credit unions in the past have helped each  
3 other out of difficulty by direct cooperation,  
4 assistance from their leagues, and mergers. In  
5 more recent years, they have developed stabilization  
6 or mutual aid programs (the Canadian programs are  
7 fully described in the NACCU brief). The object  
8 of these programs is not just to prevent loss to  
9 members, but, wherever possible, to help rehabilitate  
10 the credit union so that it may continue to serve its  
11 membership.

12 TAXATION

13 46. CUNA recognizes and has taken the position  
14 on a number of occasions before the United States  
15 Congress that exemption from income tax is vital  
16 and indispensable to the organizational structure  
17 of credit unions which allows them to serve as non-  
18 profit, self-help, voluntary associations func-  
19 tioning for the welfare of their members, their  
20 community, and their nation. The many millions of  
21 Americans who have faith in and live by credit union  
22 concepts and principles view this consideration  
23 eminently just and equitable.

24 47. Credit unions in the U.S. have been thus  
25 exempt for many years. Bills proposing to repeal  
26 the exemption have been introduced from time to time,  
27 but in recognition of the unique, non-profit  
28 character of credit unions, Congress has refused  
29 to take action on them.

30 48. As recently as April, 1961 this view found



(4) Credit unions in the past have helped each other out of difficulty by direct cooperation, assistance from their leagues, and members. In more recent years, they have developed stabilization or mutual aid programs (the Canadian programs are fully described in the NACU brief). The object of these programs is not just to prevent loss to members, but, wherever possible, to help rehabilitate the credit union so that it may continue to serve its membership.

EXHIBIT

CUNA recognizes and has taken the position on a number of occasions before the United States Congress that exemption from income tax is vital and indispensable to the organizational structure of credit unions which allows them to serve as non-profit, self-help, voluntary associations functioning for the welfare of their members, their community, and their nation. The many millions of Americans who have faith in and live by credit union concepts and principles view this consideration eminently just and equitable.

47. Credit unions in the U.S. have been thus exempt for many years. Bills proposing to repeal the exemption have been introduced from time to time, but in recognition of the unique, non-profit character of credit unions, Congress has refused to take action on them.

As recently as April, 1951 this view found



1 expression and re-emphasis in a message on taxation which  
2 President Kennedy sent to the Congress. Despite  
3 proposals that taxation of cooperatives and financial  
4 institutions be increased, Mr. Kennedy specifically  
5 recommended that the exemption of credit unions  
6 should be continued. This position of the  
7 administrative branch of U. S. Government was  
8 subsequently reiterated by Secretary of the Treasury  
9 Douglas Dillon in testimony before the House Ways  
10 and Means Committee.

11 49.

RECOMMENDATION

12 We trust that after perusal of the full  
13 picture of credit union purposes, objectives and  
14 practices put forward to you by CUNA, as well as  
15 by the leagues in nearly every province of Canada,  
16 by NACCU and by Canadian Cooperative Credit Society,  
17 due regard will be given to the unique contribution  
18 of credit unions in Canada and the Commission will  
19 find that credit unions truly serve the public  
20 interest.

APPRECIATION

21 50. CUNA has been pleased to be invited to  
22 make submissions to this Commission, and to assist  
23 NACCU and the Canadian Leagues through its Canadian  
24 Manager, Mr. Robert Ingram, the director of its  
25 research department, Dr. Walter Polner, and other  
26 members of its staff in making their submissions.

27 51. We would also like to express appreciation  
28 to NACCU Attorney Robert J. McMaster with whom we  
29 had the privilege of consulting on several occasions  
30





expression and no emphasis in a message on tax-  
 proposals that taxation of cooperatives and financial  
 institutions be increased, Mr. Kennedy specifically  
 recommended that the exemption of credit unions  
 should be continued. This position of the  
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Nethercut & Young

Toronto, Ontario

A.39

1 in connection with this brief.

2 52. We trust our submission, together with  
3 the other credit union submissions made to the  
4 Commission, will prove helpful in its study and  
5 deliberations.

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to investigate the same matter.

52. We trust our committee's suggestions will

the other credit union submissions made to the

Commission, will prove helpful in its study and

recommendations.

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**Schedule I****DISTRIBUTION OF CREDIT UNIONS BY ASSET SIZE, U.S.  
AS OF DECEMBER 31, 1961 \***

1 - 50,000	39.96%
50,000 - 100,000	16.21
100,000 - 200,000	16.09
200,000 - 300,000	7.13
300,000 - 500,000	7.79
500,000 - 700,000	3.75
700,000 - 1,000,000	4.39
1,000,000 - 2,000,000	2.97
2,000,000 - 3,000,000	1.19
3,000,000 - 5,000,000	.39
over 5,000,000	.13

\* Based on balance sheets of reporting credit unions

11/1/2000

STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 1999

ASSETS	LIABILITIES
10.01	100,000 - 100,000
10.02	100,000 - 100,000
10.03	100,000 - 100,000
10.04	100,000 - 100,000
10.05	100,000 - 100,000
10.06	100,000 - 100,000
10.07	100,000 - 100,000
10.08	100,000 - 100,000
10.09	100,000 - 100,000
10.10	100,000 - 100,000
10.11	100,000 - 100,000
10.12	100,000 - 100,000
10.13	100,000 - 100,000

\* Based on balance sheet of reporting entity.

## NUMBER -- U. S. CREDIT UNIONS

Schedule II

Year	TOTAL			CREDIT UNIONS CHARTERED UNDER STATE LAWS			ACTIVE CREDIT UNIONS CHARTERED UNDER FEDERAL LAW			
	Number of Credit Unions	Increase or Decrease	% Increase or Decrease over previous year	Number of Credit Unions	Increase or Decrease	% Increase or Decrease over previous year	Number of Credit Unions	Increase or Decrease	% Increase or Decrease over previous year	% Federally Chartered Credit Unions
60	20,047	595	3.1%	10,142	137	1.4%	9,905	458	4.8%	49.4%
59	19,452	614	3.3	10,005	197	2.0	9,447	417	4.6	48.6
58	18,838	635	3.5	9,808	340	3.6	9,030	295	3.4	47.9
57*	18,203	947	5.5	9,468	362	6.3	8,735	385	4.6	48.0
56	17,256	1,055	6.5	8,906	511	6.1	8,350	544	7.0	48.4
55	16,201	1,128	7.5	8,395	549	7.0	7,806	579	8.0	48.2
54	15,073	1,370	10.0	7,846	721	10.1	7,227	649	9.9	47.9
53	13,703	1,412	11.5	7,125	759	11.9	6,578	653	11.0	48.0
52	12,291	1,008	8.9	6,366	481	8.2	5,925	527	9.8	48.2
51	11,283	692	6.5	5,885	278	5.0	5,398	414	8.3	47.8
50	10,591	667	6.7	5,607	178	3.3	4,984	489	10.9	47.1
49	9,924	586	6.3	5,429	149	2.8	4,495	437	10.8	45.3
48	9,338	338	3.8	5,280	125	2.4	4,058	213	5.5	43.5
47	9,000	236	2.7	5,155	152	3.0	3,845	84	2.2	42.7
46	8,764	81	0.9	5,003	77	1.6	3,761	4	0.1	42.9
45	8,683	-125	-1.4	4,926	-67	-1.3	3,757	-58	-1.5	43.3
44	8,808	-415	-4.5	4,993	-292	-5.5	3,815	-123	-3.1	43.3
43	9,223	-544	-5.6	5,285	-337	-6.0	3,938	-207	-5.0	42.7
42	9,767	-124	-1.3	5,622	-41	-0.7	4,145	-83	-2.0	42.4
41	9,891	868	9.6	5,663	396	7.5	4,228	472	12.6	42.7
40	9,023	1,059	13.3	5,267	485	10.1	3,756	574	18.0	41.6
39	7,964	905	12.8	4,782	483	11.2	3,182	422	15.3	40.0
38	7,059	954	15.6	4,299	507	13.4	2,760	447	19.3	39.1
37	6,105	864	16.5	3,792	302	8.7	2,313	562	32.1	37.9
36	5,241	1,869	55.4	3,490	890	34.2	1,751	979		33.4
35	3,372			2,600			772			22.9
33	2,016	404	25.1	2,016	404	25.1				
32	1,612	112	7.5	1,612	112	7.5				
29	974			974						
25	419			419						

\* For years before 1957, include all Mutual Benefit Societies in Connecticut



Year	1950-1951	1951-1952	1952-1953	1953-1954	1954-1955	1955-1956	1956-1957	1957-1958	1958-1959	1959-1960	1960-1961	1961-1962	1962-1963	1963-1964	1964-1965	1965-1966	1966-1967	1967-1968	1968-1969	1969-1970	1970-1971	1971-1972	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1981-1982	1982-1983	1983-1984	1984-1985	1985-1986	1986-1987	1987-1988	1988-1989	1989-1990	1990-1991	1991-1992	1992-1993	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031	2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037	2037-2038	2038-2039	2039-2040	2040-2041	2041-2042	2042-2043	2043-2044	2044-2045	2045-2046	2046-2047	2047-2048	2048-2049	2049-2050	2050-2051	2051-2052	2052-2053	2053-2054	2054-2055	2055-2056	2056-2057	2057-2058	2058-2059	2059-2060	2060-2061	2061-2062	2062-2063	2063-2064	2064-2065	2065-2066	2066-2067	2067-2068	2068-2069	2069-2070	2070-2071	2071-2072	2072-2073	2073-2074	2074-2075	2075-2076	2076-2077	2077-2078	2078-2079	2079-2080	2080-2081	2081-2082	2082-2083	2083-2084	2084-2085	2085-2086	2086-2087	2087-2088	2088-2089	2089-2090	2090-2091	2091-2092	2092-2093	2093-2094	2094-2095	2095-2096	2096-2097	2097-2098	2098-2099	2099-2100	2100-2101	2101-2102	2102-2103	2103-2104	2104-2105	2105-2106	2106-2107	2107-2108	2108-2109	2109-2110	2110-2111	2111-2112	2112-2113	2113-2114	2114-2115	2115-2116	2116-2117	2117-2118	2118-2119	2119-2120	2120-2121	2121-2122	2122-2123	2123-2124	2124-2125	2125-2126	2126-2127	2127-2128	2128-2129	2129-2130	2130-2131	2131-2132	2132-2133	2133-2134	2134-2135	2135-2136	2136-2137	2137-2138	2138-2139	2139-2140	2140-2141	2141-2142	2142-2143	2143-2144	2144-2145	2145-2146	2146-2147	2147-2148	2148-2149	2149-2150	2150-2151	2151-2152	2152-2153	2153-2154	2154-2155	2155-2156	2156-2157	2157-2158	2158-2159	2159-2160	2160-2161	2161-2162	2162-2163	2163-2164	2164-2165	2165-2166	2166-2167	2167-2168	2168-2169	2169-2170	2170-2171	2171-2172	2172-2173	2173-2174	2174-2175	2175-2176	2176-2177	2177-2178	2178-2179	2179-2180	2180-2181	2181-2182	2182-2183	2183-2184	2184-2185	2185-2186	2186-2187	2187-2188	2188-2189	2189-2190	2190-2191	2191-2192	2192-2193	2193-2194	2194-2195	2195-2196	2196-2197	2197-2198	2198-2199	2199-2200	2200-2201	2201-2202	2202-2203	2203-2204	2204-2205	2205-2206	2206-2207	2207-2208	2208-2209	2209-2210	2210-2211	2211-2212	2212-2213	2213-2214	2214-2215	2215-2216	2216-2217	2217-2218	2218-2219	2219-2220	2220-2221	2221-2222	2222-2223	2223-2224	2224-2225	2225-2226	2226-2227	2227-2228	2228-2229	2229-2230	2230-2231	2231-2232	2232-2233	2233-2234	2234-2235	2235-2236	2236-2237	2237-2238	2238-2239	2239-2240	2240-2241	2241-2242	2242-2243	2243-2244	2244-2245	2245-2246	2246-2247	2247-2248	2248-2249	2249-2250	2250-2251	2251-2252	2252-2253	2253-2254	2254-2255	2255-2256	2256-2257	2257-2258	2258-2259	2259-2260	2260-2261	2261-2262	2262-2263	2263-2264	2264-2265	2265-2266	2266-2267	2267-2268	2268-2269	2269-2270	2270-2271	2271-2272	2272-2273	2273-2274	2274-2275	2275-2276	2276-2277	2277-2278	2278-2279	2279-2280	2280-2281	2281-2282	2282-2283	2283-2284	2284-2285	2285-2286	2286-2287	2287-2288	2288-2289	2289-2290	2290-2291	2291-2292	2292-2293	2293-2294	2294-2295	2295-2296	2296-2297	2297-2298	2298-2299	2299-2300	2300-2301	2301-2302	2302-2303	2303-2304	2304-2305	2305-2306	2306-2307	2307-2308	2308-2309	2309-2310	2310-2311	2311-2312	2312-2313	2313-2314	2314-2315	2315-2316	2316-2317	2317-2318	2318-2319	2319-2320	2320-2321	2321-2322	2322-2323	2323-2324	2324-2325	2325-2326	2326-2327	2327-2328	2328-2329	2329-2330	2330-2331	2331-2332	2332-2333	2333-2334	2334-2335	2335-2336	2336-2337	2337-2338	2338-2339	2339-2340	2340-2341	2341-2342	2342-2343	2343-2344	2344-2345	2345-2346	2346-2347	2347-2348	2348-2349	2349-2350	2350-2351	2351-2352	2352-2353	2353-2354	2354-2355	2355-2356	2356-2357	2357-2358	2358-2359	2359-2360	2360-2361	2361-2362	2362-2363	2363-2364	2364-2365	2365-2366	2366-2367	2367-2368	2368-2369	2369-2370	2370-2371	2371-2372	2372-2373	2373-2374	2374-2375	2375-2376	2376-2377	2377-2378	2378-2379	2379-2380	2380-2381	2381-2382	2382-2383	2383-2384	2384-2385	2385-2386	2386-2387	2387-2388	2388-2389	2389-2390	2390-2391	2391-2392	2392-2393	2393-2394	2394-2395	2395-2396	2396-2397	2397-2398	2398-2399	2399-2400	2400-2401	2401-2402	2402-2403	2403-2404	2404-2405	2405-2406	2406-2407	2407-2408	2408-2409	2409-2410	2410-2411	2411-2412	2412-2413	2413-2414	2414-2415	2415-2416	2416-2417	2417-2418	2418-2419	2419-2420	2420-2421	2421-2422	2422-2423	2423-2424	2424-2425	2425-2426	2426-2427	2427-2428	2428-2429	2429-2430	2430-2431	2431-2432	2432-2433	2433-2434	2434-2435	2435-2436	2436-2437	2437-2438	2438-2439	2439-2440	2440-2441	2441-2442	2442-2443	2443-2444	2444-2445	2445-2446	2446-2447	2447-2448	2448-2449	2449-2450	2450-2451	2451-2452	2452-2453	2453-2454	2454-2455	2455-2456	2456-2457	2457-2458	2458-2459	2459-2460	2460-2461	2461-2462	2462-2463	2463-2464	2464-2465	2465-2466	2466-2467	2467-2468	2468-2469	2469-2470	2470-2471	2471-2472	2472-2473	2473-2474	2474-2475	2475-2476	2476-2477	2477-2478	2478-2479	2479-2480	2480-2481	2481-2482	2482-2483	2483-2484	2484-2485	2485-2486	2486-2487	2487-2488	2488-2489	2489-2490	2490-2491	2491-2492	2492-2493	2493-2494	2494-2495	2495-2496	2496-2497	2497-2498	2498-2499	2499-2500	2500-2501	2501-2502	2502-2503	2503-2504	2504-2505	2505-2506	2506-2507	2507-2508	2508-2509	2509-2510	2510-2511	2511-2512	2512-2513	2513-2514	2514-2515	2515-2516	2516-2517	2517-2518	2518-2519	2519-2520	2520-2521	2521-2522	2522-2523	2523-2524	2524-2525	2525-2526	2526-2527	2527-2528	2528-2529	2529-2530	2530-2531	2531-2532	2532-2533	2533-2534	2534-2535	2535-2536	2536-2537	2537-2538	2538-2539	2539-2540	2540-2541	2541-2542	2542-2543	2543-2544	2544-2545	2545-2546	2546-2547	2547-2548	2548-2549	2549-2550	2550-2551	2551-2552	2552-2553	2553-2554	2554-2555	2555-2556	2556-2557	2557-2558	2558-2559	2559-2560	2560-2561	2561-2562	2562-2563	2563-2564	2564-2565	2565-2566	2566-2567	2567-2568	2568-2569	2569-2570	2570-2571	2571-2572	2572-2573	2573-2574	2574-2575	2575-2576	2576-2577	2577-2578	2578-2579	2579-2580	2580-2581	2581-2582	2582-2583	2583-2584	2584-2585	2585-2586	2586-2587	2587-2588	2588-2589	2589-2590	2590-2591	2591-2592	2592-2593	2593-2594	2594-2595	2595-2596	2596-2597	2597-2598	2598-2599	2599-2600	2600-2601	2601-2602	2602-2603	2603-2604	2604-2605	2605-2606	2606-2607	2607-2608	2608-2609	2609-2610	2610-2611	2611-2612	2612-2613	2613-2614	2614-2615	2615-2616	2616-2617	2617-2618	2618-2619	2619-2620	2620-2621	2621-2622	2622-2623	2623-2624	2624-2625	2625-2626	2626-2627	2627-2628	2628-2629	2629-2630	2630-2631	2631-2632	2632-2633	2633-2634	2634-2635	2635-2636	2636-2637	2637-2638	2638-2639	2639-2640	2640-2641	2641-2642	2642-2643	2643-2644	2644-2645	2645-2646	2646-2647	2647-2648	2648-2649	2649-2650	2650-2651	2651-2652	2652-2653	2653-2654	2654-2655	2655-2656	2656-2657	2657-2658	2658-2659	2659-2660	2660-2661	2661-2662	2662-2663	2663-2664	2664-2665	2665-2666	2666-2667	2667-2668	2668-2669	2669-2670	2670-2671	2671-2672	2672-2673	2673-2674	2674-2675	2675-2676	2676-2677	2677-2678	2678-2679	2679-2680	2680-2681	2681-2682	2682-2683	2683-2684	2684-2685	2685-2686	2686-2687	2687-2688	2688-2689	2689-2690	2690-2691	2691-2692	2692-2693	2693-2694	2694-2695	2695-2696	2696-2697	2697-2698	2698-2699	2699-2700	2700-2701	2701-2702	2702-2703	2703-2704	2704-2705	2705-2706	2706-2707	2707-2708	2708-2709	2709-2710	2710-2711	2711-2712	2712-2713	2713-2714	2714-2715	2715-2716	2716-2717	2717-2718	2718-2719	2719-2720	2720-2721	2721-2722	2722-2723	2723-2724	2724-2725	2725-2726	2726-2727	2727-2728	2728-2729	2729-2730	2730-2731	2731-2732	2732-2733	2733-2734	2734-2735	2735-2736	2736-2737	2737-2738	2738-2739	2739-2740	2740-2741	2741-2742	2742-2743	2743-2744	2744-2745	2745-2746	2746-2747	2747-2748	2748-2749	2749-2750	2750-2751	2751-2752	2752-2753	2753-2754	2754-2755	2755-2756	2756-2757	2757-2758	2758-2759	2759-2760	2760-2761	2761-2762	2762-2763	2763-2764	2764-2765	2765-2766	2766-2767	2767-2768	2768-2769	2769-2770	2770-2771	2771-2772	2772-2773	2773-2774	2774-2775	2775-2776	2776-2777	2777-2778	2778-2779	2779-2780	2780-2781	2781-2782	2782-2783	2783-2784	2784-2785	2785-2786	2786-2787	2787-2788	2788-2789	2789-2790	2790-2791	2791-2792	2792-2793	2793-2794	2794-2795	2795-2796	2796-2797	2797-2798	2798-2799	2799-2800	2800-2801	2801-2802	2802-2803	2803-2804	2804-2805	2805-2806	2806-2807	2807-2808	2808-2809	2809-2810	2810-2811	2811-2812	2812-2813	2813-2814	2814-2815	2815-2816	2816-2817	2817-2818	2818-2819	2819-2820	2820-2821	2821-2822	2822-2823	2823-2824	2824-2825	2825-2826	2826-2827	2827-2828	2828-2829	2829-2830	2830-2831	2831-2832	2832-2833	2833-2834</
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## MEMBERSHIP -- U. S. CREDIT UNIONS

Year	TOTAL			OPERATING UNDER STATE LAWS			OPERATING UNDER FEDERAL LAW			
	Number of Members	Increase or Decrease	% Increase or Decrease over previous year	Number of Members	Increase or Decrease	% Increase or Decrease over previous year	Number of Members	Increase or Decrease	% Increase or Decrease over previous year	% Membership in Federally Chartered Credit Unions
60	12,037,533	774,950	6.9%	5,950,155	330,820	5.9%	6,087,378	444,130	7.9%	50.6%
59	11,262,583	930,977	8.0	5,619,335	297,641	7.6	5,643,248	433,336	8.3	50.0
58	10,431,606	612,154	6.2	5,221,694	399,931	6.1	5,209,912	312,223	6.4	49.9
57	9,819,452	758,113	8.4	4,921,763	362,634	8.0	4,897,689	395,479	8.8	49.9
56	9,061,339	907,698	11.1	4,559,129	437,708	10.6	4,502,210	469,990	11.7	49.7
55	8,153,641	797,999	10.8	4,121,421	364,569	9.7	4,032,220	433,430	12.0	49.5
54	7,355,642	720,099	10.9	3,756,852	376,731	11.1	3,598,790	343,368	10.5	48.9
53	6,635,543	747,256	12.7	3,380,121	345,075	11.4	3,235,422	402,181	14.1	49.1
52	5,983,287	691,894	13.3	3,035,046	302,551	11.1	2,853,241	389,343	15.8	48.5
51	5,196,393	586,115	12.7	2,732,495	249,040	10.0	2,463,898	337,075	15.8	47.4
50	4,610,278	519,557	12.7	2,483,455	212,340	9.3	2,126,823	307,217	16.9	46.1
49	4,090,721	341,674	9.1	2,271,115	150,407	7.1	1,919,606	191,267	11.7	44.5
48	3,749,047	409,188	12.3	2,120,708	226,764	12.0	1,628,339	182,424	12.6	43.4
47	3,339,859	320,111	10.6	1,893,944	176,328	10.3	1,445,915	143,783	11.0	43.3
46	3,019,748	176,759	6.2	1,717,616	91,252	5.6	1,302,132	85,507	7.0	43.1
45	2,842,989	-90,518	-3.1	1,626,364	-3,342	-2	1,216,625	-87,176	-6.7	42.8
44	2,933,507	-90,096	-3.0	1,629,706	-91,534	-5.3	1,303,801	1,438	1	44.4
43	3,023,603	-121,000	-3.8	1,721,240	-75,844	-4.2	1,302,363	-45,156	-3.4	43.1
42	3,144,603	159,787	-4.8	1,797,084	-110,610	-5.8	1,347,519	-49,177	-3.5	42.9
41	3,304,390	477,778	16.9	1,907,694	207,304	12.2	1,396,696	270,474	24.0	42.3
40	2,826,612	517,429	22.4	1,700,390	241,013	16.5	1,126,222	276,416	32.5	39.8
39	2,309,183	440,921	23.6	1,459,377	222,551	18.0	849,806	218,370	34.6	36.8
38	1,868,262	330,095	21.5	1,236,826	181,090	17.2	631,436	148,995	30.9	33.8
37	1,538,177	367,732	31.4	1,055,736	201,261	23.6	482,441	166,471	52.7	31.4
36	1,170,445	528,648	82.4	854,475	331,343	63.3	315,970	197,305	166.3	27.0
35	641,797			523,132			118,665			18.5
33	359,646	58,527	19.4	359,646	58,527	19.4				
32	301,119	14,976	5.2	301,119	14,976	5.2				
31	286,143			286,143						
29	284,908			264,908						
25	108,000			108,000						



## ASSETS -- U. S. CREDIT UNIONS

Year	TOTAL			OPERATING UNDER STATE LAWS			OPERATING UNDER FEDERAL LAW		
	Total Assets	\$ Increase or Decrease	% Increase or Decrease	Total Assets	\$ Increase or Decrease	% Increase or Decrease	Total Assets	\$ Increase or Decrease	% Increase or Decrease
60	\$5,653,475,890	\$629,312,476	12.5%	\$2,983,741,592	\$312,391,578	11.7%	\$2,669,734,298	\$316,920,898	13.5%
59	5,024,163,414	678,650,167	15.6	2,671,350,014	360,702,767	15.6	2,352,813,400	317,947,400	15.6
58	4,345,513,247	532,066,074	13.9	2,310,647,247	285,973,406	14.1	2,034,866,000	246,097,668	13.8
57	3,813,447,173	542,502,450	16.6	2,024,673,841	282,931,045	16.2	1,788,768,332	259,566,405	17.0
56	3,270,944,723	527,503,439	19.2	1,741,742,796	265,728,557	18.0	1,529,201,927	261,774,882	20.7
55	2,743,441,284	473,086,675	20.8	1,476,014,239	238,838,672	19.3	1,267,427,045	234,248,003	22.7
54	2,270,354,609	375,248,009	19.8	1,237,175,567	196,300,974	18.9	1,033,179,042	178,947,035	20.9
53	1,895,106,600	378,987,948	25.0	1,040,874,593	187,164,810	21.9	854,232,007	191,823,138	29.0
52	1,516,118,652	317,790,776	26.5	953,709,783	160,097,487	23.1	662,408,869	157,694,289	31.2
51	1,198,327,876	192,852,278	19.2	693,612,296	94,446,417	15.8	504,714,580	98,879,604	24.4
50	1,005,475,598	178,386,629	21.6	599,165,879	88,439,414	17.3	405,834,976	89,472,472	28.3
49	827,088,969	125,627,580	17.9	510,726,465	67,676,812	15.3	316,362,504	57,950,768	22.4
48	701,461,399	110,334,712	18.7	443,049,653	62,298,547	16.4	258,411,736	48,036,165	22.8
47	591,126,677	95,877,665	19.4	380,751,106	58,668,553	18.2	210,375,571	37,209,112	21.5
46	495,249,012	60,626,525	13.9	322,082,553	40,563,186	14.4	173,166,459	20,063,339	13.1
45	434,622,487	36,692,673	9.2	281,519,367	27,855,709	11.0	153,103,120	8,836,964	6.1
44	397,929,814	42,667,006	12.0	253,663,658	25,348,935	11.1	144,266,156	17,318,071	13.6
43	355,262,808	14,915,066	4.4	228,314,723	7,199,874	32.6	126,946,085	7,715,192	6.5
42	340,347,742	18,132,926	5.6	221,114,849	4,556,872	21.0	119,232,893	13,576,054	12.8
41	322,214,816	69,065,187	27.3	216,557,977	35,908,887	98.8	105,656,839	33,156,300	45.7
40	253,149,629	59,549,907	30.8	180,649,090	34,845,646	138.9	72,500,539	24,704,261	51.7
39	193,599,722	46,305,829	31.4	145,803,444	28,131,052	139.1	47,796,278	18,174,777	61.4
38	147,293,893	30,956,160	26.6	117,672,392	20,584,397	112.0	29,621,501	10,371,763	53.9
37	116,337,733			97,087,995			19,249,738		





## LOANS OUTSTANDING TO MEMBERS -- U. S. CREDIT UNIONS

Year	TOTAL			OPERATING UNDER STATE LAWS			OPERATING UNDER FEDERAL LAW		
	Loans Outstanding to Members	\$ Increase or Decrease over previous year	% Increase or Decrease over previous year	Loans Outstanding to Members*	\$ Increase or Decrease over previous year	% Increase or Decrease over previous year	Loans Outstanding to Members	\$ Increase or Decrease over previous year	% Increase or Decrease over previous year
60	\$4,377,305,517	\$669,593,030	18.1%	\$2,355,842,322	\$314,655,347	15.4%	\$2,021,463,195	\$354,937,683	21.3%
59	3,707,712,487	629,425,419	20.4	2,041,186,975	342,523,634	20.2	1,666,525,512	286,801,785	20.4
58	3,078,287,068	299,981,881	10.7	1,698,563,341	177,577,482	11.7	1,379,723,727	122,404,399	9.7
57	2,778,305,187	452,137,302	19.4	1,520,985,859	244,006,523	19.1	1,257,319,328	208,130,779	19.8
56	2,326,167,885	392,281,735	20.3	1,276,979,336	206,135,235	19.2	1,049,188,549	186,146,500	21.6
55	1,933,886,150	381,835,861	24.6	1,070,844,101	200,764,148	23.1	863,042,049	181,071,713	26.6
54	1,552,050,289	244,547,641	18.7	870,079,953	136,550,834	18.6	681,970,336	107,996,807	18.8
53	1,307,502,648	322,457,836	32.7	733,529,119	163,546,622	28.7	573,973,529	158,911,214	38.3
52	985,044,812	237,960,786	31.9	569,982,497	122,654,246	27.4	415,062,315	115,306,540	38.5
51	747,084,026	67,219,454	9.9	447,328,251	31,199,517	7.5	299,755,775	36,019,937	13.6
50	679,864,572	164,040,006	31.8	416,128,734	86,522,190	26.3	263,735,838	77,517,816	41.6
49	515,824,566	117,437,609	29.5	329,606,544	68,861,914	26.4	186,218,022	48,575,695	35.3
48	398,386,957	114,737,751	40.5	260,744,630	68,467,621	35.6	137,642,327	46,270,130	50.7
47	283,649,206	93,583,046	49.2	192,277,009	59,011,786	44.3	91,372,197	34,571,260	60.9
46	190,066,160	62,163,121	48.6	133,265,223	40,517,598	43.7	56,800,937	21,645,523	61.5
45	127,903,039	6,947,644	5.7	92,747,625	6,195,697	7.2	35,155,414	751,947	2.2
44	120,955,395	-1,512,735	-1.2	86,551,928	-688,049	-8	34,403,467	-824,686	-2.3
43	122,468,130	-26,303,442	-17.7	87,239,977	-18,644,845	-17.6	35,228,153	-7,658,597	-17.9
42	148,771,572	-71,084,070	-32.3	105,884,822	-44,720,333	-29.7	42,886,750	-26,362,737	-38.1
41	219,855,642	29,604,916	15.6	150,605,155	15,864,372	11.8	69,249,487	13,739,544	24.8
40	190,250,726	41,477,573	27.9	134,740,783	23,435,280	21.1	55,509,943	18,042,293	48.2
39	148,773,153			111,305,503			37,467,650		

\* Includes loans to other credit unions  
in data before 1960



LONG OUTSTANDING TO MEMBERS - P. 2. CREDIT BALANCE

MEMBER'S NAME AND ADDRESS			CREDIT BALANCE			TOTAL		
No.	Name	Address	to Member		to Member	to Member		Total
			to Member	to Member		to Member	to Member	
1	W. J. ...	...	...	...	...	...	...	...
2	...	...	...	...	...	...	...	...
3	...	...	...	...	...	...	...	...
4	...	...	...	...	...	...	...	...
5	...	...	...	...	...	...	...	...
6	...	...	...	...	...	...	...	...
7	...	...	...	...	...	...	...	...
8	...	...	...	...	...	...	...	...
9	...	...	...	...	...	...	...	...
10	...	...	...	...	...	...	...	...
11	...	...	...	...	...	...	...	...
12	...	...	...	...	...	...	...	...
13	...	...	...	...	...	...	...	...
14	...	...	...	...	...	...	...	...
15	...	...	...	...	...	...	...	...
16	...	...	...	...	...	...	...	...
17	...	...	...	...	...	...	...	...
18	...	...	...	...	...	...	...	...
19	...	...	...	...	...	...	...	...
20	...	...	...	...	...	...	...	...
21	...	...	...	...	...	...	...	...
22	...	...	...	...	...	...	...	...
23	...	...	...	...	...	...	...	...
24	...	...	...	...	...	...	...	...
25	...	...	...	...	...	...	...	...
26	...	...	...	...	...	...	...	...
27	...	...	...	...	...	...	...	...
28	...	...	...	...	...	...	...	...
29	...	...	...	...	...	...	...	...
30	...	...	...	...	...	...	...	...
31	...	...	...	...	...	...	...	...
32	...	...	...	...	...	...	...	...
33	...	...	...	...	...	...	...	...
34	...	...	...	...	...	...	...	...
35	...	...	...	...	...	...	...	...
36	...	...	...	...	...	...	...	...
37	...	...	...	...	...	...	...	...
38	...	...	...	...	...	...	...	...
39	...	...	...	...	...	...	...	...
40	...	...	...	...	...	...	...	...
41	...	...	...	...	...	...	...	...
42	...	...	...	...	...	...	...	...
43	...	...	...	...	...	...	...	...
44	...	...	...	...	...	...	...	...
45	...	...	...	...	...	...	...	...
46	...	...	...	...	...	...	...	...
47	...	...	...	...	...	...	...	...
48	...	...	...	...	...	...	...	...
49	...	...	...	...	...	...	...	...
50	...	...	...	...	...	...	...	...
51	...	...	...	...	...	...	...	...
52	...	...	...	...	...	...	...	...
53	...	...	...	...	...	...	...	...
54	...	...	...	...	...	...	...	...
55	...	...	...	...	...	...	...	...
56	...	...	...	...	...	...	...	...
57	...	...	...	...	...	...	...	...
58	...	...	...	...	...	...	...	...
59	...	...	...	...	...	...	...	...
60	...	...	...	...	...	...	...	...
61	...	...	...	...	...	...	...	...
62	...	...	...	...	...	...	...	...
63	...	...	...	...	...	...	...	...
64	...	...	...	...	...	...	...	...
65	...	...	...	...	...	...	...	...
66	...	...	...	...	...	...	...	...
67	...	...	...	...	...	...	...	...
68	...	...	...	...	...	...	...	...
69	...	...	...	...	...	...	...	...
70	...	...	...	...	...	...	...	...
71	...	...	...	...	...	...	...	...
72	...	...	...	...	...	...	...	...
73	...	...	...	...	...	...	...	...
74	...	...	...	...	...	...	...	...
75	...	...	...	...	...	...	...	...
76	...	...	...	...	...	...	...	...
77	...	...	...	...	...	...	...	...
78	...	...	...	...	...	...	...	...
79	...	...	...	...	...	...	...	...
80	...	...	...	...	...	...	...	...
81	...	...	...	...	...	...	...	...
82	...	...	...	...	...	...	...	...
83	...	...	...	...	...	...	...	...
84	...	...	...	...	...	...	...	...
85	...	...	...	...	...	...	...	...
86	...	...	...	...	...	...	...	...
87	...	...	...	...	...	...	...	...
88	...	...	...	...	...	...	...	...
89	...	...	...	...	...	...	...	...
90	...	...	...	...	...	...	...	...
91	...	...	...	...	...	...	...	...
92	...	...	...	...	...	...	...	...
93	...	...	...	...	...	...	...	...
94	...	...	...	...	...	...	...	...
95	...	...	...	...	...	...	...	...
96	...	...	...	...	...	...	...	...
97	...	...	...	...	...	...	...	...
98	...	...	...	...	...	...	...	...
99	...	...	...	...	...	...	...	...
100	...	...	...	...	...	...	...	...

## SAVINGS -- U. S. CREDIT UNIONS

Year	TOTAL			OPERATING UNDER STATE LAWS				OPERATING UNDER FEDERAL LAW				
	Total Savings	Average Savings Per Member	\$ Increase over previous year	% Increase	Total Savings	Average Savings Per Member	\$ Increase over previous year	% Increase	Total Savings	Average Savings Per Member	\$ Increase over previous year	% Increase
60	\$4,970,328,135	\$413	\$533,931,881	12.4%	\$2,625,990,938	\$397	\$264,649,703	11.2%	\$2,344,337,197	\$385	\$269,282,178	12.9%
59	4,436,396,254	394	566,542,365	14.6	2,361,341,235	420	303,504,619	14.7	2,075,055,019	368	263,037,746	14.5
58	3,869,853,889	371	488,003,037	14.4	2,057,836,616	394	265,176,349	14.8	1,812,017,273	348	222,826,688	14.0
57	3,381,850,852	344	467,729,462	16.1	1,792,660,267	364	244,796,950	15.8	1,589,190,585	324	222,932,512	16.3
56	2,914,121,390	322	467,275,015	19.1	1,547,863,317	340	236,181,818	18.0	1,366,258,073	303	231,093,197	20.4
55	2,448,846,375	300	407,551,892	20.0	1,311,681,499	318	203,794,472	18.4	1,135,164,876	282	203,757,420	21.9
54	2,039,294,483	277	350,964,611	20.8	1,107,887,027	295	187,128,247	20.3	931,407,456	259	163,836,364	21.3
53	1,688,329,872	254	332,509,795	24.5	920,758,780	272	162,312,820	21.4	767,571,092	236	170,196,975	28.5
52	1,355,820,077	230	315,382,841	30.3	758,445,960	250	175,410,848	30.1	597,374,117	209	139,971,993	30.6
51	1,040,437,236	200	189,948,361	22.3	583,035,112*	213	94,471,015	19.3	457,402,124	186	95,477,346	26.4
50	850,488,875	184	147,499,209	21.0	488,564,097	197	70,575,365	16.9	361,924,778	170	76,923,844	27.0
49	702,989,666	172	98,232,371	16.2	417,988,732	184	48,239,805	13.0	285,000,934	157	49,992,566	21.3
48	604,757,295	161	95,043,525	18.6	369,748,927	174	52,445,200	16.5	235,008,368	144	42,598,325	22.1
47	509,713,770	153	80,998,044	18.9	317,303,727	168	48,306,041	18.0	192,410,043	133	32,692,003	20.5
46	428,715,726	142	59,593,029	16.1	268,997,686	157	40,488,951	17.7	159,718,040	123	19,104,078	13.6
45	369,122,697	130	30,409,314	9.0	228,508,735	141	23,381,499	11.4	140,613,962	116	7,027,815	5.3
44	338,713,383	115			205,127,236	126			133,586,147	102		

\* No information available on deposits in state chartered credit unions before 1952





ASSETS OF OPERATING FEDERAL CREDIT UNIONS, DEC. 31, 1960  
(CREDIT UNIONS GROUPED BY TYPE OF MEMBERSHIP)

Type of Membership	Number of Federal Credit Unions	Total	
		Amount of Assets	Percentage Distribution
All credit unions	9,905	\$2,669,734,298	100.0
Credit unions operating among--			
Associational groups-total	1,457	206,971,854	7.8
Cooperatives	189	49,349,449	1.9
Fraternal & professional	337	57,011,385	2.1
Religious	551	59,971,770	2.3
Labor unions	380	40,639,250	1.5
Occupational groups-total	8,255	2,430,395,986	91.0
Amusements	12	4,537,845	.2
Automotive products	249	116,458,468	4.4
Banking and insurance	113	20,470,850	.8
Beverages	59	10,975,870	.4
Chemicals and explosives	223	86,163,276	3.2
Construction and materials:			
Lumber	95	17,423,091	.7
Other	164	27,983,023	1.0
Educational:			
Colleges	100	20,742,863	.8
Schools	548	120,014,602	4.5
Electric products	294	89,982,736	3.4
Food products:			
Bakery, grocery, and produce	163	30,074,974	1.1
Dairy	108	18,738,870	.7
Meat packing	69	9,360,532	.4
Other	173	47,666,839	1.8
Furniture	56	4,950,976	.2
Glass	104	38,296,710	1.4
Government:			
Federal	931	380,898,426	14.3
Local	474	160,234,308	6.0
State	165	28,737,628	1.1
Hardware	77	12,762,077	.5
Hotels and restaurants	47	3,663,198	.1
Laundries and cleaners	29	1,030,495	(1)
Leather	42	3,591,865	.1
Machine manufacturers	314	108,053,236	4.0
Metals:			
Aluminum	53	7,886,766	.3
Iron and steel	324	119,861,010	4.5
Other	190	45,291,081	1.7
Paper	229	65,354,166	2.4
Petroleum	363	129,303,543	4.8
Printing and publishing:			
Newspapers	104	23,412,439	.9
Other	101	13,938,626	.5
Public utilities:			
Heat, light and power	190	52,003,911	1.9
Telegraph	17	1,480,306	.1
Telephone	169	94,549,414	3.5
Rubber	77	26,069,437	1.0
Stores	239	73,080,283	2.7
Textiles	171	26,925,670	1.0
Tobacco products	4	704,195	(1)
Transportation:			
Aviation	75	120,599,909	4.5
Bus and truck	176	33,846,329	1.3
Railroads	309	97,544,353	3.7
Other	94	20,386,627	.8
Miscellaneous	761	115,345,083	4.3
Residential groups-total	193	32,366,458	1.2
Rural community	138	22,595,943	.8
Urban community	55	9,770,515	.4

<sup>1</sup> Less than 0.05 percent.

TABLE 1. SUMMARY OF THE ECONOMIC ACTIVITY OF THE UNITED STATES IN 1947 (IN MILLIONS OF DOLLARS)

Economic activity	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583	582	581	580	579	578	577	576	575	574	573	572	571	570	569	568	567	566	565	564	563	562	561	560	559	558	557	556	555	554	553	552	551	550	549	548	547	546	545	544	543	542	541	540	539	538	537	536	535	534	533	532	531	530	529	528	527	526	525	524	523	522	521	520
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DEPOSIT INSURANCE

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States Government created by Congress in 1933 to give depositors in insured banks a basic and limited protection against loss arising from failure of any insured bank regardless of the cause of the failure. The Corporation's activities are directed by a board of three directors, two of whom are appointed by the President, by and with the advice and consent of the Senate. The Comptroller of the Currency, by virtue of his office, is the third director.

All national and state banks belonging to the Federal Reserve System are required to insure their deposits with the FDIC. State banks that are not members of the Federal Reserve System may carry the insurance if able to meet FDIC admission standards.

Original capitalization of the FDIC was supplied in the amount of \$150 million by the U.S. Treasury and \$139 million by the 12 Federal Reserve Banks. No public tax funds are used in the corporation's operations, expenses being paid by semi-annual assessments of insured banks based upon total deposits. The corporation insures accounts of depositors in insured banks up to \$10,000 for each depositor. As of June 30, 1961, the deposit insurance fund amounted to \$2.29 billion or approximately 1.5 per cent of all insured deposits, as of that date.



FDIC INSURANCE

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1                   The FDIC is authorized to borrow up to  
2                   \$3 billion from the U.S. Treasury at any one time, as  
3                   needed for insurance purposes. No borrowing under  
4                   this authorization has as yet been made.

5                   Insurance coverage for shareholders in  
6                   savings and loan associations is provided by the  
7                   Federal Savings and Loan Insurance Corporation,  
8                   established by federal law in 1934.

9                   At various times, it has been proposed  
10                  that credit unions be provided some form of federal  
11                  insurance protection for members' share accounts.  
12                  In 1961, the Commonwealth of Massachusetts  
13                  established such a limited state program, and a  
14                  privately owned corporation authorized by statute  
15                  has functioned in the state of Illinois since 1956.  
16                  Both of these programs are voluntary in nature.



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Insurance coverage for shareholders in savings and loan associations is provided by the Federal Savings and Loan Insurance Corporation, established by federal law in 1934.

At various times, it has been proposed that credit unions be provided some form of federal insurance protection for members' share accounts.

In 1961, the Commonwealth of Massachusetts established such a limited state program, and a privately owned corporation authorized by statute has functioned in the state of Illinois since 1956.

Both of these programs are voluntary in nature.





SUMMARY OF BRIEF

PRESENTED BY NATIONAL ASSOCIATION OF CANADIAN  
CREDIT UNIONS

OTTAWA, ONTARIO

- TO -

ROYAL COMMISSION ON BANKING AND FINANCE

Introductory

1. Introduction

As stated in the Introductory Statement to Credit Union Briefs, NACCU is the equivalent organization, on a national basis, of the provincial credit union leagues. It was created by these leagues in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec and Nova Scotia. While there are some French speaking credit unions in these leagues, for convenience, the credit unions represented through NACCU and those in Ontario are referred to as the English speaking credit unions. There are approximately three thousand English speaking credit unions across Canada having a membership of more than a million persons and total assets exceeding one half billion dollars.



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Introductory

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total assets exceeding one half billion dollars.



1                   Basic Structure, History and Operation

2           2.   Fundamental Characteristics

3                   The basic structure of credit unions in  
4 Canada is founded upon six fundamental characteristics:

- 5       (1) Local autonomy;  
6       (2) A bond of association;  
7       (3) Mutual aid;  
8       (4) A "co-partnership" dealing with funds of the  
9           members among themselves;  
10       (5) A non-profit oriented philosophy; and  
11       (6) The extension of cooperative principles to  
12           various types of voluntary association.

13  
14       3:   History

15                   Their historical background as a people's  
16 movement was founded in Europe in the 19th century,  
17 in the Province of Quebec in 1900 and in the  
18 United States shortly thereafter. In English speaking  
19 Canada their significant development began in the 1930's.

20       4.   Method of Operation

21                   There is a great similarity in their method  
22 of operation. Basically, it is a simple operation  
23 which ordinary persons can understand. The emphasis  
24 is upon control and operation by the members who create  
25 and/or use the common fund. There is a large body  
26 of voluntary elected officers. Adhering to the principal  
27 of one member-one vote, it is difficult for any vested  
28 interests to gain control. There is a genuine feeling  
29 of the right to equality in treatment by all members,  
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responsibility among individual members.

5. Central type operations, in which credit unions pool funds not required for loaning, are more complicated. These associations have developed directors and staff with special skills. Most central type associations lend to credit unions. Some lend also to other member cooperative enterprises and some on individual mortgages to credit union members.

#### 6. Education

The leagues in each province undertake extensive programs of an educational nature.

### Legislation

#### 7. Legislative History

The legislative history of English speaking credit unions principally stems from the Nova Scotia Act in 1932. Provincial acts have been amended frequently to meet changing circumstances. Some measure of uniformity has developed by reference to improvement in acts elsewhere and annual informal meetins of inspectors.

8. All credit union legislation is provincial except provision made by the Federal Government for the incorporation of credit unions in the Northwest and Yukon Territories and the Cooperative Credit Associations Act. This latter is a Federal Statute under which CCCS and four provincial cooperative credit societies operate.



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Absolute and Relative Growth

9. Absolute Growth

The factors accounting for the growth of credit unions in absolute terms are threefold: sociological, economic and diversification.

10. Sociological Factors

The main sociological factors have been:

- (1) They were born out of the adversity of the depression, when the credit needs of persons of modest means were unattractive to profit oriented businesses;
- (2) Success elsewhere stimulated confidence;
- (3) A great many individuals have gained new skills, knowledge and opportunities for social responsibility;
- (4) The extent of individual participation has assured adherence to genuine cooperative philosophy;
- (5) Through association with each other and practical cooperation the effective influence of the philosophy of mutual aid has been strengthened.
- (6) They created new techniques to encourage savings and to meet their members' needs.

11. Thus growth in size of individual credit unions which found their origin in common bonds, has not defeated the real objective or approach of credit unions. Being of the same genesis and closely associated in voluntary associations of practical value, they have preserved their fundamental tenets which distinguish them from profit oriented institutions.



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with absolute and relative growth.



12. These sociological factors must be appreciated to understand the place of credit unions in profit oriented economic theories and their responsiveness to monetary policy.

13. Economic

Certain economic factors have also affected their growth:

(1) The war years laid emphasis upon saving and brought restrictions on purchase of consumer goods and credit.

(2) In the postwar era:

(a) persons of modest means, for the first time since before the depression, were able to acquire the amenities of life;

(b) the income of wage earners and primary producers increased rapidly; and

(c) consumer demand gave rise to new consumer lending institutions and methods of merchandising on terms, the rates of which were excessive compared to the rates offered by credit unions.

14. At first, because of their limited resources and the necessity for equality of treatment of members, credit unions mainly provided small loans only, for their members. They emphasized that spending, even upon consumer goods, should be within the member's ability to make budgetary payments.

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1 general awareness of the need for the solution to  
2 housing problems culminating in extensions of the  
3 National Housing Act and the Home Improvement Act.  
4 As the prosperity of the primary producer vis-a-vis  
5 other sections of the economy began to suffer,  
6 Parliament recognized the need for assistance to  
7 these producers in the Farm and Fishermen's Loan  
8 Improvement Acts. Action by Parliament to meet  
9 these public needs was in many instances preceded by  
10 recognition of the need of their members by  
11 credit unions. Being non-profit oriented, credit  
12 unions within the limit of their resources, moved  
13 into these areas voluntarily. They did so on the  
14 basis of self-help and not on the basis of Government  
15 guarantees.

16 16. Relative Growth

17 The relative growth of credit unions in  
18 relation to other institutions, has been a reasonable  
19 growth. To compare the growth of credit unions'  
20 savings with those of other longer established  
21 institutions such as banks, trust companies and  
22 insurance companies is misleading. In a free profit  
23 oriented economy, particularly in a period of rapid  
24 expansion, it would be surprising if the same growth  
25 occurred in equal proportions between all existing  
26 institutions and if new institutions did not develop.  
27 There having developed a successful peoples' movement,  
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1 tended to favour credit unions.

2 17. "Competitive" Factors

3 It has been suggested credit unions have  
4 "competitive" advantages which account for their  
5 growth. Those which are apparent arise mainly out  
6 of their voluntary non-profit oriented operation and  
7 extensive educational programs. In other respects  
8 other institutions have "competitive" advantages over the  
9 credit unions, the nature of which arise mainly out  
10 of their wider areas of operation and their profit  
11 oriented approach.

12 18. Taxation

13 The contention that credit unions have an  
14 advantage with respect to taxation, we submit, is  
15 untenable. The only advantage which ensues to them  
16 by reason of their tax position is by reason of  
17 their non-profit orientation and their willingness  
18 and ability in some types of loans to serve the public  
19 interest on a self-help basis rather than relying  
20 upon government assistance. Other institutions choose to  
21 operate on a profit oriented basis and do have income.  
22 It depends upon the needs of the community which an  
23 institution seeks to meet whether having no income  
24 or having a profit is an advantage or otherwise.

25 19. Diversification

26 Another factor in the growth of credit  
27 unions should not be overlooked, i.e., they have  
28 developed in every section of the economy in which  
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#### 19. Diversification

Another factor in the growth of credit unions should not be overlooked, i.e., they have developed in every section of the economy in which primary producers, workers and other persons of modest





means are active. This has added to their stability and adaptability to changing conditions and hence to their growth.

#### Supervision

##### 20. Self-discipline

The commission has had placed before it in every province evidence of the democratic control and self-discipline demonstrated by credit unions and credit union associations. Recently, in at least six provinces, stabilization or mutual-aid funds have been brought into being.

##### 21. Provincial Supervision

Provincial regulatory authorities exist in every province. In most provinces this authority is deemed adequate and is supplemented by a high measure of voluntary cooperation from the leagues. Provisions for external audit are generally required or made as credit unions are large enough to afford the same. Wide fidelity bond coverage is universally required. Provincial governments have all shown a vital interest in credit union development.

22. NACCU submits that the unique nature of credit unions and their development as associations under provincial jurisdiction should be recognized in any recommendations of the commission affecting credit unions.

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1           The Structure of Assets and Liabilities

2           24. Main Influence

3                   The main influence on the structure of  
4           assets of credit unions and changes therein are:

5           (1) the ability and willingness of members to save  
6                 (growth);

7           (2) The need of members to use their longer or  
8                 shorter term savings for their own uses  
9                 (withdrawals);

10           (3) the statutory and/or conventional requirements  
11                 for guarantee and liquidity reserves;

12           (4) seasonal fluctuations (resulting in surpluses  
13                 or borrowings); and

14           (5) the need of members for loans.

15           25.           Members have been able to save greater  
16           sums than they required to withdraw for their own  
17           needs resulting in a steady net growth in shares  
18           of credit unions and correspondingly in deposits  
19           in central type associations.

20           26.           As credit unions have grown the amount of  
21           funds tied up in guarantee and liquidity reserves  
22           have increased. These are, to a large extent,  
23           together with seasonal balances deposited with  
24           central type organizations.

25  
26           27. Borrowing

27                   Borrowings by credit unions are usually  
28           from these central type associations or from  
29           chartered banks. Borrowings are a relatively small part  
30           of the liabilities of credit unions and are used to

The main influence on the structure of assets of credit unions and changes therein are:

- (1) the ability and willingness of members to save (growth);
- (2) The need of members to use their money on shorter term savings for their own uses (withdrawals);
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1 maximize the use of the pool of credit union funds  
2 to compensate for seasonal surpluses. Central  
3 type organizations mainly borrow from chartered banks.

4  
5 28. Policies

6 Policy with respect to the structure of  
7 credit union assets and liabilities has been generally  
8 influenced by three factors:

- 9 (1) the maximum use of members' savings to meet  
10 the credit needs of members;  
11 (2) a concern principally to use their own funds;  
12 and  
13 (3) a regard for liquidity and sound reserves.

14 29. Monetary Policy

15 In periods of tight money, credit unions  
16 have generally responded to monetary policy.

17 30. Credit unions, directly or indirectly,  
18 borrow from the banks. They do so to facilitate  
19 loans to farmers and other primary producers as  
20 well as to meet the needs of ordinary individuals  
21 for personal loans for non-speculative purposes,  
22 including a reasonable level of loans for housing.  
23 Consequently, if they did not appear to have been  
24 too responsive to monetary policy, this was not a  
25 frustration of intended national policy as stated by  
26 the Governor of the Bank of Canada in his 1957 Report  
27 and as substantiated by various acts of Parliament  
28 encouraging many of these types of loans.

29 31. It is probably true that in a time when  
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1 monetary action, credit unions do not immediately  
2 respond. However, once the upturn in the economy  
3 has begun, the major social objectives of the  
4 policies of credit unions actually stabilize and  
5 aid monetary policy. They exert an influence in  
6 the local community to use and spend funds more  
7 wisely.

8  
9 32. Liquidity Reserve

10 Credit unions in all provinces maintain  
11 cash and liquid reserves either pursuant to statute  
12 or by convention.

13 33. As to the adequacy of these reserves,  
14 several observations are cogent:

- 15 (1) measured against the most stringent statutory  
16 requirements, they are adequate;
- 17 (2) credit unions and centrals look first to  
18 new share and deposit money, borrowing power  
19 and the proceeds of repayment of loans or, if  
20 necessary, the rationing of loans, for liquidity;  
21 (the liquidity reserves are a source of last  
22 resort);
- 23 (3) most credit unions deposit substantially all  
24 of their guarantee and liquidity reserves with  
25 central type associations;
- 26 (4) analysis shows the central type associations  
27 adequately secure the liquidity of the credit  
28 unions depositing with them;
- 29 (5) there is an intangible aspect of liquidity in  
30 the central type associations arising out of





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the philosophy of mutual aid which would provide maximum cooperation if there were a general excessive demand for withdrawal of funds among the members.

34. Investments

There are several important factors which have given rise to the present portfolios of investments in securities by credit unions and in determining their policies in relation to investment:

(1) The importance of investments has only in recent years grown to significant stature.

Consequently some of the earlier investments were not very knowledgeable and we find in the portfolios at all levels some investments of a long term type which may, as a result, be unsuitable;

(2) There are three principal types of funds of credit unions available for investments which influence policies and portfolios, particularly as to the length of term for which the funds may be invested:

(a) Guarantee reserves. The loss ratio of credit unions has been so small that there has been little necessity to call on these. Consequently, these funds can be invested in less liquid assets.

(b) Liquidity reserves. These are intended to provide liquidity in the event of sharp excesses of withdrawals. Due to the pooling of this risk in centrals these can safely





be invested in shorter term investments.

(c) Seasonal surpluses. These must be invested  
in near liquid investments.

(3) In some measure the requirements of the local communities in the province influence investment policies.

(4) The amount available for investment fluctuates with seasonal surpluses; and

(5) The policy of credit unions pooling reserves and surpluses first on the provincial level and then on the national level makes larger funds available for and encourages maturity in investment.

35. NACCU is of the opinion that the further centralization of surplus funds in provincial type of associations greatly increases the sensitivity of credit unions to the price system and monetary policy, not only in creating a broader base for mobility but because of larger participation in and therefore a closer relation to the capital market. If CCCS is permitted to operate on a national scale on the same as provincial centrals, this sensitivity would be increased.

36. Loans

There are several fundamental characteristics of credit unions which have influenced their policies and practices with respect to loans to members. These are:

(1) All credit unions have sprung from small beginnings





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3 (2) Their democratic nature has tended to require  
4 rationing loans to meet the needs of all;

5 (3) These factors, plus high charges and a poorly organ-  
6 ized market for small loans, first led credit  
7 unions into the small loan field.

8 (4) Credit unions are organized to meet felt needs  
9 of members, as well as to promote thrift;

10 (5) The basis of mutual aid has resulted in greater  
11 reliance upon character and the member having a  
12 sense of responsibility to the credit union than  
13 applies to profit oriented businesses; and

14 (6) The non-profit orientation has led credit  
15 unions, as the size of the common fund permits,  
16 to undertake types of socially desirable loans  
17 which profit oriented business is not attracted  
18 to undertake.

19  
20 37. Purpose of Loans

21 The type of security taken by credit  
22 unions for a loan is not always a satisfactory  
23 indices of its loan policies. Where statistics  
24 are kept on the purposes for which loans are granted  
25 (notably in some of the western provinces) several  
26 interesting facts emerge:

27 (1) There has been an increasing emphasis on loans  
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30 (2) The amount of loaning for household appliances  
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and remains a small percentage;

(3) The credit union has continued to meet the small emergency and immediate personal needs of its members such as hospital, medical, dental and insurance bills, taxes, educational and vacation needs, as well as their budgetary needs with respect to consolidation of debts in substantially the same proportions; and

(4) There is a similar pattern of loans according to their purpose. Variations appear based on common bond.

38. Generally, it can be concluded as to loans by credit unions:

- (1) From a small type loan operation meeting immediate personal and emergency needs, credit unions have developed into being able increasingly to meet the needs of their members related to their occupations and their housing requirements;
- (2) Credit unions tend to adapt to the needs of the local community, e.g., in fishing and farming.

39. Many of these principle types of loans have been difficult for persons of modest means to obtain except at high rates in the organized capital markets. In these fields credit unions have pioneered on a self-help basis at reasonable rates.

40. There is a continuing need for mortgage loans of these types particularly with respect to rural areas and with respect to houses in urban centres.

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41. Credit unions are restricted in this field by the size of their funds and the necessity for reasonable liquidity. However, as they have grown in size, they have tended increasingly to meet this need.

42. True Rates

The true rate charged by credit unions for loans is based on simple interest and is widely known among the membership and there are no hidden charges. They thus have a useful service to perform in providing a measuring rod of reasonable charges.

43. Valuation and Security

Standard methods of evaluating risks enter into the consideration of most credit unions in granting credit. In the smaller credit unions the signature of the member either guaranteed by another person or alone often is the only security. Payroll deductions, life insurance equities and chattel mortgages may also be taken. In larger credit unions where larger sums are more likely to be involved, and the element of a close common bond is not as great, more conventional types of security are more frequently required. However, there are certain features of the credit unions already discussed which permit the credit union to give greater consideration to character and enable it to assume a larger portion of risk than generally is possible for profit oriented institutions.

44. Because of this difference in risk ratio,





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for loans is based on simple interest and is widely  
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charges. They thus have a useful service to perform  
in providing a measuring rod of reasonable charges.

#### 43. Valuation and Security

Standard methods of evaluating risks enter  
into the consideration of most credit unions in  
granting credit. In the smaller credit unions the  
signature of the member either guaranteed by another  
person or alone often is the only security. Payroll  
deductions, life insurance equities and chattel  
mortgages may also be taken. In larger credit uni-  
ons where larger sums are more likely to be in-  
volved, and the element of a close common bond is  
not as great, more conventional types of security  
are more frequently required. However, there are cer-  
tain features of the credit unions already discussed  
which permit the credit union to give greater con-  
sideration to character and enable it to assume a  
larger portion of risk than generally is possible  
for profit oriented institutions.  
44. Because of this difference in risk ratio,



1 comparisons as to rates with other lending institutions  
2 may be deceptive. To some extent, credit unions are  
3 influenced by the same factors of cost and risk as  
4 are other lending institutions. Mainly, however,  
5 credit union rates are fixed by the Directors in  
6 accordance with two fundamental principles:

7 (1) Equity between all members, and

8 (2) a non-profit orientation.

9 45. Shares and Deposits

10 Among English speaking credit unions the  
11 predominant method of raising contributions to the  
12 common fund is by shares. The converse is true  
13 with regard to the central type organization where  
14 deposits predominate.

15 46. Share investments in credit unions tend  
16 to represent planned savings of members, whereas  
17 deposits may represent interim savings or the saved  
18 portion of current income. There are several in-  
19 centives to members to leave share money with the  
20 credit union. Deposit money, however, most  
21 frequently will be withdrawn over short periods, as  
22 required to meet immediate or short term obligations  
23 of the member except for the residue which he is  
24 able to save. This residue is often transferred  
25 periodically by members into share account.

26 47. "Chequing"

27 To facilitate the withdrawal of money by  
28 members to meet expenditures, some credit unions  
29 permit withdrawal from deposit accounts by negotiable  
30 order. This is permitted on the one hand as a con-



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46. Share investments in credit unions tend

to represent planned savings of members, whereas deposits are not planned savings of the member. There are several incentives to members to leave share money with the credit union. First, the share is a permanent investment. It is not withdrawn over short periods, as deposits are. Second, the share is often transferred from one member to another. This residue is often transferred periodically by members into share account.

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members to meet expenditures, some credit unions permit withdrawal from deposit accounts by negotiable order. This is permitted on the one hand as a con-



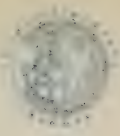


1       venience to the member, and on the other to encourage  
2       him to save as much as he can of his current income  
3       after meeting his expenses. It should be observed  
4       that there are still some communities, particularly  
5       in western Canada, without any banking facilities  
6       which may account for the very large percentage of  
7       rural credit unions in Saskatchewan which provide  
8       "chequing" services.

9  
10      48. Interest and Dividend Rates

11               Up to the present time credit unions  
12       appear to have done very little experimenting with  
13       variations in deposit rates. On the other hand  
14       deposit rates of centrals have varied generally in  
15       relation to the market. In relation to centrals,  
16       the deposit rates are sensitive, as are loan rates,  
17       to alternative opportunities for employment by  
18       autonomous individual credit unions of their res-  
19       erves and surplus funds. If the deposit rates are  
20       too far out of line, credit unions begin looking  
21       to the possibility of making their own investments.  
22       The policy of the Ontario League Central appears  
23       to be a notable exception.

24      49.       The rate of dividends on shares is modest  
25       and in some provinces is restricted by statute to  
26       five or six percent. Having regard to the interest  
27       rate charged by credit unions and provisions for  
28       patronage refunds, the dividend rate can never be  
29       excessive nor can it be expected to have the  
30       variations of rates which apply to a joint stock  
     profit oriented company. Consequently, the rate of net



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1 growth of credit union shares is not likely to be  
2 effected by substantial changes in the rate of  
3 dividend on shares.

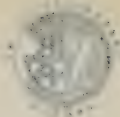
4  
5 50. Quebec

6 With regard to the different structure  
7 of share and deposit accounts among the caisses  
8 populaires in Quebec, we can only assume that they have  
9 a different historical background than the English  
10 speaking credit unions.

11 51. Insurance

12 Nearly all credit unions carry share  
13 insurance. This insurance is not designed to protect  
14 a member against loss. It is rather a group insurance  
15 carried by each credit union on the outstanding balance  
16 of share investment up to \$2,000.00 payable on the  
17 death of the member. The benefit is payable, not to the  
18 credit union, but to the estate of the deceased. At  
19 the same time most credit unions carry an insurance  
20 coverage on the outstanding balance of all loans up to  
21 \$10,000.00, payable to the credit union. This protects  
22 it from loss (or embarrassment of recovery) in the event  
23 of death or permanent disability of the member. It  
24 also however benefits the estate which is thereby  
25 released from the obligation. Both types of insurance  
26 are very attractive to persons of modest means and has  
27 certainly been one factor which has attracted members.

28  
29 52. A system of share and deposit insurance  
30 such as is administered by Federal Deposit Insurance



1957

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1 Corporation and the Federal Savings and Loan Insurance  
2 Corporation in the United States is a different type  
3 of insurance against a different type of risk. That  
4 system is reviewed in the brief of CUNA filed with the  
5 commission. NACCU feels the history of losses by  
6 members of credit unions in Canada does not warrant the  
7 expense of such an insurance system. In NACCU'S view,  
8 such a system would tend to undermine and destroy the  
9 basis of democracy and voluntary cooperation which  
10 are the foundation of credit unions in Canada.

11  
12 53. Guarantee and Other Reserves

13 Having regard to the mutual nature of  
14 credit unions (and their similarity to "co-partnerships")  
15 reserves and undivided surplus are a liability of the  
16 credit union for which it is accountable to the members.  
17 The credit union per se is not entitled to use for its  
18 own purposes any portion of the common fund or the  
19 earnings upon that fund except as authorized by the  
20 "co-partners" through the rules.

21 54. There are statutory guarantee reserves  
22 required in every province, as a reserve against bad debts.

23 55. Guarantee reserves are not distributed  
24 to members but are applied to losses, if and when they  
25 occur. They tend to be used up only upon liquidation.  
26 NACCU favours a recommendation to provincial governments  
27 that upon liquidation of a credit union, reserves and  
28 any remaining undivided surplus should be paid over  
29 to the provincial stabilization or mutual aid fund.  
30



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1 A maximum dividend rate of six per cent (such as is now  
2 provided in some provinces) would prevent the  
3 dissipation of undivided earnings and reserves in  
4 anticipation of liquidation and permit a reasonable  
5 return on share contribution to the common fund.

6 56. Revenue and Expenses

7 The principal source of revenue of all  
8 credit unions arises from loans to members. On the  
9 expense side, there will be considerable variations  
10 having regard to the size of the credit unions. Almost  
11 universally the cost of group insurance covering shares  
12 and outstanding loan balances will be a uniform item of  
13 expense (about three-quarters of one per cent of the  
14 amount of monthly balances). One common factor of  
15 expense applying to all credit unions is a consequence of  
16 their democratic type of organization, i.e., the  
17 education of members and methods of keeping them  
18 informed, the training of staff and the holding of  
19 membership meetings.

20 57. As to expenses generally:

21 (1) They are maintained at as low a level as possible  
22 commensurate with efficient operation;

23 (2) They are free of any charges for directors'  
24 services and the services of committee members.  
25 These services are extensive and voluntary.

26 (3) The end purpose, after establishing sound  
27 reserves for the protection of members' savings  
28 and as a guarantee against bad debts, is to provide  
29 the service at cost and the objective is to make  
30 the cost as reasonable as possible.





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Credit Unions in Relation to Monetary Control

58. The Capital Market

A properly functioning capital market is essential to the aims of maintaining employment at a reasonably full level, containing inflation, promoting economic growth and insuring a "fair" division of the comforts and necessities of life.

59. The price system is a reasonably economical and efficient way of administering the scarce resources of society. It has certain disadvantages, however:

- (1) It can misdirect resources if it does not properly function;
- (2) It is unable to allow for exceptions;
- (3) It can be warped by the unscrupulous; and
- (4) It gives little consideration to justice, social and moral values.

60. The credit union movement, local, provincial and national, is a small but essential part of the capital market catering to demands not adequately handled by the price and profit system. It assists the price system to perform its essential functions; it aids in attaining the major needs described in Paragraph 58 above, and it has important social and non-economic functions which merit encouragement in the national interest.

61. To the extent the credit union movement, within itself, is attempting to pursue aims not widely at variance with the major objectives of society and

essential to the aims of maintaining employment at a

economic growth and insuring a "fair" division of the  
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61. To the extent the credit union movement,  
within itself, is attempting to pursue aims not widely  
at variance with the major objectives of society and



1 has intrinsic values not found in commercial profit  
2 oriented operations, it would be a mistake to classify  
3 it with other "non-bank financial institutions".

4  
5 62. If there are minor difficulties in the  
6 way of effective monetary policy posed by our unique  
7 position, these are not of such magnitude as to out-  
8 weigh the positive additions credit unions make to  
9 the capital market, the importance of their major  
10 social objectives and, in some cases, their acting  
11 in a manner which is actually stabilizing economic  
12 activity and an aid to monetary policy.

13 63. "Lender of Last Resort"

14 The local credit union in its early  
15 stages often acts as a "lender of last resort" in  
16 emergencies (e.g., in cases of accident, medical  
17 emergencies, threatened destruction of livelihood  
18 or an overpowering feeling of hopelessness in the  
19 face of financial obligations). Under emergency  
20 conditions the individual has an almost perfectly  
21 inelastic demand curve, in terms of interest charges.  
22 His desperation requires that some concept of justice  
23 come to the fore. Profit oriented institutions can  
24 not be expected to consider justice in their price  
25 policies. The credit union can eliminate some of  
26 the precautionary reasons for the individual member  
27 holding idle balances. The credit union thus pro-  
28 vides competition in what is a non-competitive market  
29 situation.  
30





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 it as other "operations" (which would be a mistake).

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64. Knowledge

Knowledge is essential to the proper functioning of the price system. The borrowers from a credit union are made aware of the cost of funds. Through broad participation in boards, committees and extensive educational programs, ordinary savers and borrowers learn about interest rates, alternative sources of funds and rates of return.

65. Increased Mobility

As the credit union grows the development begins to lead to an increase in the mobility of funds and an integration with other institutions in the market. In the meantime, the volume of saving is greater than it otherwise would be; an essential service is performed by bringing borrowers into relation with suppliers; an institution is created which is non-charitable, reduces risk and has as a purpose the mobilization of funds, surplus to the needs of some members, to assist other members to increase the productive capacity of the area or region.

66. Related to the Market

The credit unions become related to the market in a number of ways: (a) by borrowing from the bank, (b) by longer term loans not related to consumption, and (c) by development of liquid reserves and essential surpluses available for investment in liquid or near liquid assets.

67. The statutory or conventional reserves (guarantee and liquidity) give rise to an integration with



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67. The statutory or conventional reserves

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1 the capital market at an early stage. Consciously or  
2 unconsciously, price considerations or alternatives may  
3 become effective at the margin in rationing loans to  
4 members.

5  
6 68. The existence of these reserves and surplus  
7 funds give rise to central type credit union  
8 associations. However, the local credit union does not  
9 surrender its autonomy.

10 69. When surplus funds arise in a credit union  
11 due to their democratic nature, new loan policies are  
12 slow to be introduced as all members are entitled to  
13 equality of treatment. Hence, in times of surplus  
14 these funds, at least in the short run, tend to go into  
15 outside holdings (through centrals, the banking  
16 system or into government bonds). Once invested there  
17 is an unconscious tendency to respond to interest rates  
18 before converting to a loan program. In any event,  
19 the need (and often the statutory requirement) for  
20 liquidity, prevents funds being used in their most  
21 productive use in times of tight money, as shown by the rates  
22 rates which borrowers are willing to pay.

23  
24 70. The centrals are important in this  
25 respect. They ensure liquidity by pooling and bringing  
26 the excess funds into relationship with borrowers.

27 71. The centrals are much more sensitive to the  
28 organized capital market. Important in this respect  
29 are the following factors:

30 (1) They bring borrowers and lenders together and  
increase mobility of funds and increase knowledge

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of opportunities.

- (2) Any restriction on the flow of funds is greatly reduced by a multiplicity of common bonds brought together to form another bond in central; and
- (3) Any possible immobility resulting from the cooperative tie within central is reduced by the local autonomy of the credit union. The local credit union can always put seasonal surplus funds and reserves into bonds or deposit with a chartered bank. The central thus has to set rates competitive with the organized capital market both in lending and borrowing policies.

72. Thus the centrals enhance the effectiveness of the price system in the capital market and bring credit unions into relationship with it.

73. Complementary to Profit Oriented Businesses

The capital market as presently organized does not cater in a satisfactory way to the needs of financing certain groups of activities. In many cases the Government has stepped in to guarantee or otherwise assist in financing. Many of these types of loans have long been important areas of credit union activities and as to others, they have formed an increasing part of credit union loans. We think it naive to expect profit oriented institutions to ration their supply of funds by some other consideration than effective rates of return.

74. The degree of immobility of funds occasioned





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The degree of immobility of funds occasioned



1 by the local nature of credit union operations is  
2 also a valuable complement to profit oriented  
3 institutions in the capital market. The suggestion  
4 has been made that monetary policy should be modified in  
5 some way to the advantage of those regions which are not  
6 showing the same degree of economic growth as others.  
7 Such a suggestion would involve major interference with  
8 the freedom of banks and investors. Credit unions by  
9 looking after needs of members first make the sort  
10 of free decision of investors which prevents funds  
11 from leaving a depressed area.

12  
13 75. Increased Savings

14 It is generally acknowledged that the  
15 supply of savings of people of modest means is not  
16 likely to be responsive to higher rates. Through  
17 the common bond and philosophy of credit unions,  
18 and their educational programs, credit unions con-  
19 tribute to the desirable result of increased savings.

20 76. Open Market Operations

21 The success of open market operations  
22 depends upon the efficient working of the capital market.  
23 But there are two aspects: the development of  
24 the capital market and the development of new types of  
25 issues and institutions which allows a greater volume  
26 of transactions to be financed on the same money basis.  
27 Thus, independently to changes in the quantity of money,  
28 an additional volume of transactions can be financed  
29 as the capital market expands, develops and becomes  
30 more efficient. We think these developments in the  
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1 certain problems for monetary policy in the short run.  
2 It takes time for the capital market to approach the  
3 point where all the shifting of assets and liabilities,  
4 all the institutions which ease these shiftings, and  
5 all the intercommunications of this system are fully  
6 worked out. It is important, in our view, that the  
7 capital market be allowed to develop towards its limits  
8 so that the traditional methods of monetary control  
9 will work smoothly and quickly.

10  
11 77. In a period where new institutions and  
12 securities have been developing, control of the supply  
13 of money has not been extremely effective. We  
14 think that the Radcliffe Committee's conclusions about  
15 public debt management as the key note of monetary  
16 policy is well taken.

17 78 Short Term Money Market

18 In our view, one important reason for  
19 "excess liquidity" at the present time is the apparent  
20 policy of the Bank of Canada to develop a short term  
21 money market in Canada, although we believe that this  
22 improvement in the functioning of the capital market  
23 is highly desirable. Once the "excess liquidity" is  
24 squeezed out of the system (either through fiscal policy  
25 or a growth of the capital market towards its limits)  
26 traditional types of monetary management come into their  
27 own. A barrier placed in the way of the development of  
28 the capital market (e.g. restrictive controls of  
29 financial institutions) is likely to result in  
30 inefficiency in the capital market and is likely to



certain problems for monetary policy in the short run. It takes time for the capital market to approach the point where all the shifting of assets and liabilities, and all the institutions which ease these shifts, and all the intercommunications of this system are fully adjusted. As a result, the capital market be allowed to develop towards its limits so that the traditional methods of monetary control will work smoothly and quickly.

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1 stimulate the development of less desirable institutions  
2 to circumvent controls.

3  
4 79. The Postwar Period Special

5 The postwar period in Canada has been a  
6 very special case and is a poor guide to the future  
7 effectiveness of monetary policy because of new habits  
8 developed by consumers. When these changes are  
9 fully worked out the system should become more  
10 responsive to monetary policy.

11 80. Unemployment

12 We support the view that unemployment may  
13 not be amenable to treatment by general monetary  
14 policies. There is in society today much frictional  
15 unemployment and structural unemployment which, unlike  
16 general unemployment, cannot be cured by manipulating  
17 aggregate demand. There therefore is some justification  
18 for having credit unions which cater to the needs of  
19 persons affected thereby, not too responsive to tight  
20 money policies. The close connection between many  
21 of these activities credit unions engage in and  
22 those which the government has felt it desirable to  
23 stimulate even when applying tight money policy is a  
24 justification for this position.

25 81. Summary on Monetary Policies

26 The credit union movement even when com-  
27 pletely organized on a national cooperative basis will  
28 not become completely price oriented and we believe  
29 it should not be. Self-help and common interests are  
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1 important restraints on the extent to which activities  
2 should be price and profit oriented. The autonomy of  
3 the local credit union protects those values which are  
4 considered important, whereas the development of centrals  
5 and the CCCS introduces somewhat more price oriented  
6 behavior and increases the mobility of funds. Further,  
7 because cooperation in centrals is voluntary they  
8 become through centrals more closely knit to the  
9 organized capital market.

10  
11 82. Credit unions do not make the most profitable  
12 use of funds, but restrain profits in the interest  
13 of serving their members' needs first, they are not  
14 able to face the same restrictions and competitive  
15 pressures as those institutions which do not restrain  
16 the pursuit of profit to the same extent.

17 83. In general, we feel that the effects of  
18 changes in monetary policy are reflected in the  
19 operations of the credit union movement. If, however,  
20 monetary policy begins to effect the level of activities,  
21 and thus incomes, employment and prices, the  
22 inflow of savings into credit unions is likely to be  
23 changed, with a corresponding change in lending.

24 The Mortgage Market

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26 84. In our view, mortgages in Canada are heavily  
27 directed towards construction of new houses in urban  
28 areas and are not readily available on older homes.  
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85. At the present time mortgages are highly illiquid due to the lack of a highly organized market, resulting in high rates of interest. One way to overcome this lack of liquidity would be to have mortgage exchanges. Fuller use of the purchase clause of C.M.H.C. as a last resort purchaser to protect liquidity might be an effective method of providing more funds for mortgages.

Bank of Canada Policies

86. Public Statements

We feel that there are certain undesirable results which might ensue from fuller public statements by the Bank of Canada about its policies. Most of the undesirable factors relate to short run policies in market operations of the Bank. A case could perhaps be made for frequent and full public statements about long run policy aims.

87. We would suggest that to the extent that a wider knowledge of changes in short run policies is desirable, formal confidential communications be more widely used. The Canadian credit unions would not wittingly act in such a way as to negate national monetary policy in an undesirable way. We do not believe that formal confidential communications have been used as widely as they could have been. If moral suasion is to be relied upon as an important instrument of monetary policy the organization of credit unions into centrals and ultimately into the Canadian Cooperative Credit Society makes it possible to have an





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1 element of cooperation without jeopardy to the information.

2  
3 The Role of Credit Unions

4 88. Uniqueness

5 The role of credit unions is not to engage  
6 in banking. They may perform from time to time  
7 operations which appear to be similar to some of  
8 those performed by banks -- but those operations are  
9 also similar to operations of many financial institutions  
10 which clearly are not banks -- yet credit unions are  
11 not any of these kinds of institutions either. They  
12 have unique characteristics of organization which  
13 have already been fully described.

14 89. Future Roll

15 They will develop in those fields where  
16 their members have a need which most usefully and  
17 effectively can be solved by mutual self-help. This  
18 allows for variation but it is a limiting factor.

19  
20 90. One further limiting factor appears  
21 certain. Credit unions will also tend to be the  
22 instrument of persons of modest means who have some  
23 social consciousness and are unable to take part in  
24 individual investment programs because of lack of  
25 time and knowledge, and because they cannot afford  
26 the risk, except through pooling.

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28 91. To some extent in whatever field the  
29 credit unions operate they will serve as a yardstick  
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91. To some extent in whatever field the credit unions operate they will serve as a yardstick by which the ordinary man can measure the costs to



him of services charged by profit oriented business and can gain a greater insight into the factors which enter into the granting of credit. At the same time credit unions offer him an unusual experience in practical democracy.

#### Conclusion

92. There is entire unanimity amongst the provincial credit union leagues and central type organizations represented by NACCU with respect to all matters contained in this brief and also in the briefs filed by CUNA and CCCS.

93. NACCU regrets that by virtue of the fact that the Ontario Credit Union League is not presently a member of NACCU, it has been unable to present full statistics with respect to credit union operations in that province. As to views expressed in this brief on many matters, including views as to the capital market and monetary policy, we do not pretend to represent all of the credit unions in Ontario.

#### 94. Extensive Unanimity and Some Divergence of Views

From our contact with credit unions in that province, we expect that the views of some Ontario credit unions as to the function of a central type credit society, liquidity requirements, "chequing" services and association with other cooperative enterprises might differ in some respects.

#### 95. Provincial Jurisdiction

Credit unions, historically, have been provincially created and supervised bodies. Having





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### Provincial Legislation

Credit unions, historically, have been provincially created and supervised bodies. Having





1 regard to their local autonomous nature and need for  
2 frequent adjustment in legislative provisions, they  
3 should continue to be subject to provincial jurisdiction.

4 96. NACCU submits that there appears to be no  
5 foundation at present, either in the general national  
6 interest or in the interests of monetary policy for  
7 regulation or control of credit unions on a federal  
8 basis. Such regulation and control, to the extent,  
9 if any, which it may be deemed necessary, could most  
10 effectively be accomplished by suitable federal  
11 legislation to permit the development of CCCS. Thus,  
12 by a combination of legislative and voluntary  
13 cooperation, the essentially provincial nature and  
14 operation of credit unions would not be disrupted.

15  
16 97. A free capital market rather than an  
17 extensive and complicated system of controls is the  
18 best guarantee that monetary policy will be effective.

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BRIEF OF  
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SUBMITTED TO  
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I. THE STRUCTURE, ORGANIZATION AND MANAGEMENT OF  
CREDIT UNIONS IN CANADA.

1. Fundamental Characteristics

The basic structure of credit unions in  
Canada is founded upon six fundamental characteristics:

- (a) Credit unions are local autonomous bodies.
- (b) They are usually brought into being by persons  
having some other bond of association  
(industrial, parochial, ethnic or community) --  
although as they grow, particularly in urban  
communities membership in the credit union may  
itself form a stronger bond of association than  
that bond which it was originally founded on.
- (c) They are mutual aid associations.
- (d) The corporate entity of the credit union is the  
instrument by which members pool their funds and  
make them available to themselves to meet their  
credit needs -- they are in essence a co-  
partnership dealing with their own funds amongst  
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- (e) They are founded upon strong philosophic principles  
and are non-profit oriented.
- (f) Despite their local autonomous nature, they  
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1 their sound growth in educational, legislative,  
2 supervisory and practical ways by the formation  
3 of leagues and cooperative credit societies.

4  
5 2. History

6 These autonomous bodies have their historical  
7 and philosophic origin beginning with the People's  
8 Bank Movement beginning in the 19th century in Europe.  
9 Historically in Canada they began in Quebec in 1900.  
10 The Movement somewhat coincidentally spread to the  
11 United States and in these two areas on the North  
12 American Continent early rapid development took place.  
13 (See historical outline annexed hereto as Schedule 1.)

14 3. In the English speaking areas of Canada  
15 the development began in Nova Scotia about 1932 and  
16 by the end of the 1930's had established itself in  
17 all of the other provinces.

18  
19 4. Size

20 From small beginnings credit unions have  
21 grown substantially in all parts of Canada. The  
22 last figures produced by the Economics Branch of the  
23 Department of Agriculture of the Federal Government  
24 show there were at December, 1960, 4667 credit unions  
25 chartered (4287 reporting) having 2,544,300 members  
26 with total assets of \$1,299,406,000.00. Even since  
27 these figures were published (which were not complete)  
28 there has been further growth.

29 5. Because of the earlier beginnings of credit  
30 unions in the province of Quebec and their successful





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1 operation, the Caisses Populaires continue to  
2 represent the largest number of associations, members  
3 and assets in any province, but in the last fifteen  
4 years substantial growth has taken place in the  
5 English speaking Movement across Canada.

6  
7 6. Types

8 While credit unions tend to develop to  
9 meet local needs in local communities the growth  
10 generally across Canada has been substantial in all  
11 areas of the respective provinces. In British  
12 Columbia where there are several large fishermen's  
13 credit unions and several large credit unions in  
14 farming communities the development has been fairly  
15 uniform amongst the different segments of the economy  
16 of the province. In Alberta the credit unions have  
17 been slower in getting under way and have tended to  
18 develop principally in the urban areas but are  
19 showing signs now of expanding and moving into the  
20 rural areas. In Saskatchewan the early movement was  
21 predominantly in rural areas but as important  
22 sociological changes have taken place resulting in  
23 urbanization in that province large community credit  
24 unions in the urban areas have developed. In  
25 Manitoba the number of occupational credit unions just  
26 about balances the number of rural community  
27 credit unions. In addition there are a fair number  
28 of credit unions formed around the common bond of  
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1 union development has been in the industrial  
2 areas although there is also a large group of rural  
3 credit unions. In Quebec amongst the English speaking  
4 community the development appears to have been mainly  
5 industrial or around the common bond of a parish  
6 or church association. In Nova Scotia the Movement  
7 began in the Eastern counties but spread to all  
8 parts of the province being for a time predominantly  
9 rural. However, with urbanization, greater con-  
10 centration in centres of population has occurred.  
11 There still remain, however, 104 credit unions  
12 located in rural communities these being balanced off  
13 by a like number of occupational and industrial  
14 credit unions and community urban credit unions with  
15 a small number of parochial credit unions. Urban  
16 credit unions account for a much larger percentage  
17 of the total membership and assets. We do not have  
18 the material available with respect to Prince Edward  
19 Island and New Brunswick. However, having regard to  
20 their size and their similarity to Nova Scotia by  
21 virtue of their geographical situation we expect  
22 that the development would be similar in those two  
23 provinces. In Newfoundland credit unions are a new  
24 development, and in recent years the Federal Govern-  
25 ment has enacted credit union legislation in the  
26 Yukon and Northwest Territories to permit the  
27 development of credit unions.

28 7. Changing Patterns

29 For reasons which will hereinafter be  
30 explored, and largely arising out of the local





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2 the Credit Union Movement has adapted itself to  
3 changing local conditions in several provinces so  
4 that one might expect just as the pattern of today  
5 differs from the pattern of fifteen years ago, that  
6 in another fifteen years as population shifts occur  
7 and economic institutions change in Canada the  
8 geographic distribution of credit unions in terms  
9 of numbers, members and assets may alter. In most  
10 provinces it appears that the growth in actual number  
11 of credit unions has slowed down. However, the  
12 growth in membership has not levelled off as yet and  
13 the growth in assets still continues.

14 8. Nature of Operations

15 The Commission will have observed from the  
16 evidence presented to it in the various provinces,  
17 that the nature of the operations of credit unions,  
18 particularly in the English speaking communities is  
19 substantially the same. As will be pointed out later  
20 the legislation upon which they are incorporated  
21 provincially had a common origin arising out of the  
22 first Act in Nova Scotia and in the various revisions  
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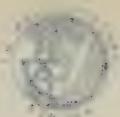


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2 and non-profit oriented outlook. In this they have a  
3 great deal in common with the Caisses Populaires in  
4 Quebec.

5 9. The operation of a credit union is a  
6 fairly simple operation which it is possible for the  
7 ordinary persons who compose their membership to  
8 understand. Usually the credit union begins with  
9 a small number of persons with a common bond pooling  
10 their funds and making small loans out of those  
11 funds to the members. Frequently in the beginning  
12 this is done with the assistance of a voluntary  
13 treasurer. As credit unions grow and the volume  
14 of transactions makes it impossible to carry on on  
15 this basis they tend to acquire paid staffs and the  
16 large ones to acquire their own premises. However,  
17 throughout the Movement from the smallest to the  
18 largest the emphasis is upon the control and operation  
19 of the credit union by the members who create the  
20 common fund and we find therein in every province  
21 a large body of voluntary officers functioning on  
22 boards of directors, credit committees, supervisory  
23 committees and educational and other types of  
24 committees. These officers serve voluntarily without  
25 remuneration and are duly elected by the members in  
26 general meetings.

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28 10. Democratic Control

29 The credit unions are formed on the demo-  
30 cratic principle of one member one vote irrespective  
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1 cordingly it is difficult for any vested interests to  
2 gain control of the credit union and furthermore there  
3 is a genuine feeling amongst credit union members that  
4 they are entitled to equitable treatment by the  
5 credit union in the payment of dividends, the payment  
6 of interest and the payment of patronage refunds on  
7 interest paid on loans as well as in the policies with  
8 regard to the making of loans. This awareness of  
9 the fact that the credit union funds are the  
10 common funds of the group and of their rights and  
11 privileges in relation to the group provides a  
12 strong incentive to members borrowing from the  
13 credit union to feel a responsibility to make re-  
14 payments. Credit unions adopt more humanitarian  
15 attitudes towards borrowers in difficulty and to  
16 members seeking to borrow who might appear on usual  
17 standards not to be credit worthy. The credit  
18 unions have adopted these attitudes because of  
19 their democratic nature and non-profit orientation.  
20 Generally members repay their loans on the due date  
21 and most applicants are from the credit union view  
22 credit worthy.

23  
24 11. Some differences in operations

25 Some differences in operations have oc-  
26 curred in different areas with respect to policies  
27 particularly in relation to interest charges. Many  
28 credit unions adhere to the original concept of  
29 charging the maximum rate of interest, one per cent  
30 per month, and distributing the savings resulting  
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the fact that the credit union funds are the common funds of the group and of their rights and privileges in relation to the group provides a strong incentive to members borrowing from the credit union to feel a responsibility to make repayments. Credit unions adopt more humanitarian attitudes towards borrowers in difficulty and to members seeking to borrow who might appear on usual standards not to be credit worthy. The credit unions have adopted these attitudes because of their democratic nature and non-profit orientation. Generally members repay their loans on the due date and most applicants are from the credit union view credit worthy.

# 11. Some differences in operations

Some differences in operations have occurred in different areas with respect to policies particularly in relation to interest charges. Many credit unions adhere to the original concept of charging the maximum rate of interest, one per cent per month, and distributing the savings resulting from the credit union operation by way of patronage



1        bonus after payment of reasonable dividends and  
2        interest on deposits. Others, however, have re-  
3        cognized that different interest rates can reasonably  
4        be related to the type of loan and/or the type of  
5        security and interest rates accordingly vary in such  
6        credit unions from six to twelve per cent on this  
7        basis. The latter type of operation gives to the  
8        members a saving at the time of lending and does not  
9        tend to result in the distribution of patronage re-  
10       funds on loan interest.

11       12.       Some credit unions tend to restrict their  
12       types of loans to small loan short term. Others,  
13       particularly in areas serving primary producers such  
14       as farmers and fishermen may make fairly large loans  
15       on longer terms to assist their members in their pro-  
16       duction activities. As credit unions grow larger  
17       there is an increasing tendency to make mortgage loans  
18       on longer terms (both urban and rural).

19       13.       These different methods of operation,  
20       however, cause very little deviation from the standard  
21       practice of operation and a fairly simple bookkeeping  
22       procedure. As credit unions find they have surplus  
23       funds available in seasonal periods, rather than  
24       become involved in investment programs of their  
25       own to keep the funds occupied, generally they have  
26       tended to make funds not used in loans to members  
27       available to Central credit unions or co-operative  
28       credit societies which they have created in accordance  
29       with credit union philosophy and principally for the  
30



bonus after payment of reasonable dividends and interest on deposits. Others, however, have recognized that different interest rates can reasonably be related to the type of loan and/or the type of security and interest rates accordingly vary in such credit unions from six to twelve per cent on this basis. The latter type of operation gives to the members a saving at the time of lending and does not tend to result in the distribution of patronage refunds on loan interest.

12. Some credit unions tend to restrict their types of loans to small loan short term. Others, particularly in areas serving primary producers such as farmers and fishermen may make fairly large loans on longer terms to assist their members in their production activities. As credit unions grow larger there is an increasing tendency to make mortgage loans on longer terms (both urban and rural).

13. These different methods of operation, however, cause very little deviation from the standard practice of operation and a fairly simple bookkeeping procedure. As credit unions find they have surplus funds available in seasonal periods, rather than become involved in investment programs of their own to keep the funds occupied, generally they have tended to make funds not used in loans to members available to Central credit unions or co-operative credit societies which they have created in accordance with credit union philosophy and principally for the



1 purpose of pooling surplus funds amongst the credit  
2 union members. When not needed for that purpose these  
3 central type organizations have in many instances made  
4 these surplus funds available to other cooperative  
5 institutions who are members of the cooperative  
6 credit societies on a short term basis. Some have  
7 used these pooled funds for longer term mortgages to  
8 individual members of credit unions.

9  
10 14. Inter-relations

11 The cooperative credit society operation  
12 is a more complicated operation than an ordinary  
13 credit union although basically operating on the same  
14 principles. These societies have tended to develop  
15 directors, elected by the corporate members of the  
16 society, who have developed special skills to deal  
17 with the operations of the cooperative credit  
18 societies as they have grown and also have developed  
19 more specialized staff.

20 15. Appended to Introductory Statement to  
21 the credit union submission is an organizational  
22 chart showing the relationship between credit unions,  
23 provincial leagues, provincial cooperative credit  
24 societies, the National Association of Credit Unions,  
25 the Canadian Co-operative Credit Society and Credit  
26 Union National Association as well as a description  
27 of the function of these various voluntary co-  
28 operative associations. It is sufficient here to  
29 observe that there is a large measure of voluntary  
30 cooperation among credit unions. In some provinces





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15. Appended to Introductory Statement to the credit union examination is an organizational chart showing the relationship between credit unions, provincial leagues, provincial cooperative credit societies, the National Association of Credit Unions, the Canadian Co-operative Credit Society and Credit Union National Association as well as a description of the function of these various voluntary co-operative associations. It is sufficient here to observe that there is a large measure of voluntary cooperation among credit unions. In some provinces





1 practically all credit unions belong to the credit  
2 union league and to the cooperative credit society  
3 and in every province the vast majority of credit  
4 unions belong to the league and large numbers belong  
5 to the cooperative credit societies.

6  
7 16. Pooling of credit union funds

8 Here might be observed two different trends  
9 of development which have taken place in terms of the  
10 pooling of credit union funds. In some provinces  
11 central credit unions or cooperative credit societies  
12 were formed very early in the development of credit  
13 unions in those provinces. In some other provinces  
14 this did not occur. In these latter provinces as  
15 credit unions found they had surplus funds which they  
16 were prepared to pool, these funds were made available  
17 to central divisions or sections of the provincial  
18 credit union league. In some provinces these central  
19 sections of the league made loans to credit unions out  
20 of the pooled funds. In some the pooled funds were  
21 used to make mortgages to individual members who were  
22 members of credit unions and who, because of the size  
23 of the credit union, were unable to obtain this type  
24 of financial assistance from the credit union. There  
25 has developed, however, strong cooperative credit  
26 societies in British Columbia, Saskatchewan and Ontario  
27 which, together with the Manitoba Co-operative Credit  
28 Society have joined together in the formation of the  
29 Canadian Co-operative Credit Society. In Alberta in  
30 recent years a cooperative credit society has been

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1 developed in line with the tradition in these other  
2 provinces but, having a much later start and the league  
3 in that province having already a central service, it  
4 is to be anticipated that the development of a strong  
5 cooperative credit society will take a few years. In  
6 Manitoba the cooperative credit society likewise has  
7 been late in developing and it will take some time  
8 for it to develop to the stature of the cooperative  
9 credit societies in the three provinces mentioned.  
10 In Ontario the credit union league has a large central  
11 credit division. Notwithstanding the late start of  
12 the cooperative credit society development in Ontario,  
13 that society has forged ahead very rapidly in recent  
14 years. The Quebec central credit union has developed  
15 in a somewhat different manner and with different  
16 objectives than the cooperative credit societies in  
17 other provinces. The development in Quebec in this  
18 respect parallels a similar development in the United  
19 States where the central credit union is principally  
20 organized to service members of supervisory and credit  
21 committees in the individual credit unions who are not  
22 permitted to borrow from their own credit union. In a  
23 small way it also assists credit unions in times of  
24 need to meet demands for withdrawals or loan demands.  
25 The growth of the central in Quebec has been relatively  
26 slow.

27 18. In Nova Scotia the league has had a central  
28 division known as a Deposit and Loan Department from  
29 which it has made longer term and larger loans to  
30 individual credit union members. Subsequently these



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1 functions of the Deposit and Loan Department of the  
2 league have extended to loans to credit unions and  
3 other cooperative institutions.

4  
5 19. Educational and Leadership Training

6 From the various briefs filed before the  
7 Commission it will be aware of the fact that the  
8 leagues in all of the provinces undertake extensive  
9 programs of a general educational nature as well as  
10 directed to the training of personnel, both voluntary  
11 and employed. The evidence filed at the provincial  
12 hearings in this respect is so extensive it does  
13 not require repetition in this brief.

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II. LEGISLATIVE HISTORY

19. Early History

Quebec led the creation of credit unions in Canada in 1900 when they were first recognized and established as provincial institutions. (For the earlier history of credit unions in Europe and elsewhere see Schedule 1 referred to above.)

20. English Speaking Credit Unions

Outside of Quebec (except for an early Co-operative Credit Societies Act in Ontario) the first legislation in the English speaking credit unions was enacted in 1932 in Nova Scotia; then followed provincial statutes in Manitoba and Saskatchewan in 1937 and Ontario and British Columbia in 1938. In the English speaking communities the 1932 Nova Scotia legislation was used somewhat as a guide for similar acts in other provinces. Frequent revisions of these Acts in all of the English speaking provinces has occurred since 1937, which have modified legislative provisions from time to time in keeping with the development of credit unions in the various provinces. These amendments and revisions have in many instances placed upon credit unions restrictions with regard to their practices where unsoundness has either appeared or it has been thought it might appear, and in some instances have liberalized the legislation. In every province the leagues have been active participants in obtaining modifications to the legislation in cooperation with the various departments of government under which credit unions have



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1 fallen in the respective provinces and the Inspection  
2 Departments.

3  
4 21. Legislative Changes

5 As most of the Provincial legislation has  
6 been recently reviewed in the respective provinces  
7 NACCU has no recommendations for their improvement  
8 at the present time. There is a growing tendency  
9 towards uniformity. For instance, in the 1961 re-  
10 vision of the B.C. Credit Unions Act consideration  
11 was given to all of the statutes of the other provinces  
12 of Canada. Inasmuch as provincial credit union Acts  
13 govern local autonomous credit unions some variation  
14 between the Acts of the several provinces are bound  
15 to appear arising out of different local circumstances  
16 and different practices.

17 22. Federal Legislation

18 The first and only entry of the Federal  
19 Government into the field of federal legislation with  
20 regard to credit unions was at the request of certain  
21 provincial cooperative credit societies in 1953, when  
22 the Co-operative Credit Associations Act was enacted  
23 as the foundation of the incorporation of Canadian Co-  
24 operative Credit Society and as an instrument whereby  
25 provincial cooperative credit societies could register  
26 and be deemed to be incorporated by Parliament.

27 23. This legislation was intended on the one  
28 hand to permit the extension of credit union pooling  
29 on a national level for the maximization of the use of  
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1 question of the constitutional validity of provincial  
2 cooperative credit societies as their organization and  
3 practices might be deemed to infringe upon a broad  
4 definition of exclusive federal jurisdictions.

5  
6 24. Summary of legislation

7 Annexed as Schedule 2 hereto is a summary  
8 of the main principles of the provisions of the Credit  
9 Union Acts in the provinces of Canada where briefs  
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III. GROWTH -- ABSOLUTE AND RELATIVE25. Substantial Growth

Taken from their effective inception in the English speaking communities of Canada the growth of credit unions has been substantial. From negligible beginnings in 1937 the briefs filed before the Commission indicate that by the end of 1960 credit union assets had grown to approximately 496.2 million dollars as to credit unions and 57.4 million dollars as to central type associations. (This excludes the Caisses Populaires in Quebec, New Brunswick, Prince Edward Island and Newfoundland). In the same period the Caisses Populaires in Quebec also showed a substantial growth.

26. These figures demonstrate growth of credit unions in absolute terms. Later in this brief growth of credit unions relative to other institutions will be discussed. The reasons for such absolute growth is accounted for in various ways in the different provincial briefs. Undoubtedly, having regard to the local and provincial nature of credit unions some aspects of that growth will be accounted for by purely local influences. However, it is apparent from the several briefs and from a somewhat uniformity of growth that there have been several common denominators.

27. Factors Accounting for growth

The several leagues presenting briefs appear expressly or by necessary implication to attribute



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1 this absolute growth to a number of essential factors  
2 which generally can be broken down into sociological  
3 and economic factors.

4  
5 28. Sociological

6 (a) Sociological factors:

7 (i) Credit unions came into being in the English  
8 speaking community after a period of great  
9 adversity in which persons of modest means,  
10 principally primary producers and working  
11 men and women had suffered great deprivations.  
12 In this period the profit oriented financial  
13 institutions found it necessary to withdraw  
14 their services from many areas (in Saskatchewan  
15 191 branch banks were closed. See Saskatchewan  
16 League Brief page 2 paragraph 5).

17 At the same time the uncertainty of employ-  
18 ment and regular income had rendered many  
19 such citizens of modest means questionable  
20 risks for profit oriented institutions. In  
21 the period of expansion of the economy at the  
22 end of the 1930's and subsequently in the war  
23 period savings through financial institutions  
24 tended to be attracted to national rather than  
25 local objectives and the needs of these individuals.

26 29. This was natural and fertile ground in  
27 which to find planted the seeds of a movement of  
28 self help which emphasized the local and  
29 individual needs of persons of modest means and  
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This was natural and fertile ground in

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individual needs of persons of modest means and

also was an impetus for substantial growth and success



30. Successful Operation

(ii) Born in such circumstances (and in an increasingly favourable economic climate) this effort towards self help was destined to succeed. The success of the Caisses Populaires in Quebec to weather the severe storm of the great depression added to the self-confidence thus aroused in these ordinary producers and other citizens to meet their own needs by their own cooperative efforts. They were stimulated also by a like development taking place on a broad scale south of the Canadian border.

31. Growing confidence

(iii) Through the experience of the extension of existing common bonds of membership in local community, industry, occupation and other associations to a new field of self help in financial matters individuals gained experience and the strength of new skills and new opportunities for leadership and social responsibility. Through leagues and associations of leagues in CUNA they learned to benefit from each others' experiences and mistakes. All this added to the confidence of these ordinary citizens that they were not dealing with something mystical when they dealt with their own and each others' financial problems and that through voluntary cooperation there was additional strength.



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32. Extensive Individual Participation

(iv) In the origin of small groups bound by their common bonds and where democracy was not only a tenet of organization but a practical effective means of control for members, and in which a large proportion of the group were enlisted to take a responsible part in the activities of the credit union through boards, credit committees and supervisory committees, a large measure of participation and communication by and between members strengthened the growth of credit unions. Not only were responsible leaders developed and trained in the "business operations" of the credit union, but they were required to answer to a concerned and increasingly knowledgeable membership. This assured adherence of credit unions in their development to genuine cooperative philosophy and the emphasis upon equal rights to borrow by all members assured the continued non-profit orientation of their activities. Having been built upon this foundation and tradition despite the fact of substantial growth and that in some urban areas very large credit unions have developed, the philosophy, democracy and non-profit characteristics of credit unions have persisted.

33. The common bond enlarged.

Had the movement commenced with these large





Transcript

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1 urban units one would expect that the influences  
2 of common bond and democracy in them would  
3 be weak and that sooner or later the pressures  
4 of efficient operation and the need to  
5 attract funds would result in a profit seeking  
6 orientation.

7  
8 34. However, the experience of these large  
9 credit unions have been quite to the contrary.  
10 Because of their origin and continued association  
11 in leagues and provincial credit societies,  
12 which themselves, being democratic (one member  
13 one vote), are still influenced by the participa-  
14 tion of small credit unions, neither the  
15 philosophy nor the practical orientation have  
16 been weakened. Consequently we find in the  
17 large credit unions a substitution of a common  
18 philosophy for the ties of the common bond of  
19 employment or other association and an emphasis  
20 upon continued education as to the philosophy  
21 and purposes of credit unionism.

22 35. Extension of Co-operative Principles

23 (v) The credit unions in English speaking  
24 Canada learned, however, not only that there  
25 is strength in philosophical and educational  
26 co-operation, but also that there is, in the  
27 extension of cooperative principles to other  
28 areas of economic activities the opportunities  
29 to strengthen their original purposes and  
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1 of this has been the development of provincial  
2 co-operative credit societies in which  
3 to pool funds by an extension of the credit  
4 union principle of organization and to  
5 maximize their use. This has culminated in  
6 the further extension in the National field  
7 the incorporation of Canadian Co-operative  
8 Credit Society. Once again, through these  
9 practical extensions of their basic philosophy  
10 involving both large and small credit unions  
11 the larger units have been bound closely to the  
12 basic non-profit oriented and democratic tradi-  
13 tion of the Movement and both large and small  
14 have experienced tangible benefits conducive  
15 to continuing the relationship.

16  
17 36. Strength through union.

18 The recognition of strength through union  
19 has led to the establishment in the last few  
20 years of the National Association of Canadian  
21 Credit Unions (NACCU). In this move, while not  
22 severing themselves from their older international  
23 association through CUNA, the Canadian credit  
24 unions have arrived at an awareness that the  
25 extension of credit union philosophy in Canada,  
26 beyond the bounds of the individual credit  
27 union, requires to be related to the Canadian  
28 background.

29 37. Other areas of co-operation

30 (vi) Success in the development of the  
initial objectives of credit unions in Canada,



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maximize their use. This has culminated in  
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4. Other financial progress.





1 bolstered by success in extension of their  
2 philosophy to cooperative leagues NACCU and  
3 CUNA on the one hand and provincial credit  
4 societies and CCCS on the other hand has led  
5 credit union leaders in some areas of Canada  
6 to see other areas of cooperative activity  
7 conducive to the promotion of their original  
8 objectives.

9  
10 38. Hence in those local areas where other  
11 types of cooperative development, including  
12 marketing and merchandising, have developed, a  
13 community of interest has been recognized,  
14 Often these other cooperative developments  
15 have been formed to meet other economic needs  
16 of the same people in the same local areas in  
17 which the credit unions have been organized to  
18 meet their financial needs. Originally this  
19 was mainly in areas where farming or fishing  
20 predominated -- but in recent years has extended  
21 to urban areas also.

22 39. With a common basic philosophy and both  
23 being non-profit oriented, where these institu-  
24 tions served the same or substantially the same  
25 members, it was reasonable that areas of prac-  
26 tical cooperation between them should develop.  
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28 common bonds in these other cooperative enter-  
29 prises were prepared to recognize that this was  
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bolstered by success in extension of their philosophy to cooperative leagues NACOU and CUNA on the one hand and provincial credit societies and CCOs on the other hand has led credit union leaders in some areas of Canada to see other areas of cooperative activity conducive to the promotion of their original objectives.

38. Hence in those local areas where other types of cooperative development, including marketing and merchandising, have developed, a community of interest has been recognized. Often these other cooperative developments have been formed to meet other economic needs of the same people in the same local areas in which the credit unions have been organized to meet their financial needs. Originally this was mainly in areas where farming or fishing predominated -- but in recent years has extended to urban areas also.

39. With a common basic philosophy and both being non-profit oriented, where these institutions served the same or substantially the same members, it was reasonable that areas of practical cooperation between them should develop. As these developed many credit unionists without common bonds in these other cooperative enterprises were prepared to recognize that this was another area of practical cooperation through



1 which their basic philosophy could be strengthened  
2 and their successful growth encouraged. (This  
3 development did not tend to occur in areas such  
4 as some parts of southern Ontario and English  
5 speaking Quebec where the credit union develop-  
6 ment was mainly organized around the common  
7 bonds of industrial employment). Often small  
8 cooperative developments suffered difficulties  
9 in financing through profit oriented institutions  
10 in a manner analogous to the difficulties suffered  
11 by the modest income group responsible for the  
12 bringing into being and development of credit  
13 unions. There has therefore been a natural af-  
14 finity between such cooperative groups and credit  
15 unions. As the credit unions through provincial  
16 cooperative credit societies have from time to  
17 time developed surplus funds they have tended  
18 in many areas to make these available to other  
19 cooperative enterprises (usually on a short term  
20 basis so as not to detract from the central  
21 function of the credit union to serve its own  
22 members). As some credit unions have grown  
23 large, so have some of the other cooperative  
24 enterprises, which likewise started with modest  
25 beginnings.

26  
27 40. Creation of new Techniques

28 (vii) The extent of the development of co-  
29 operative non-profit oriented philosophy in the  
30 Credit Union Movement is still further illustra-  
ted by their recognition that some needs of their



and their successful growth encouraged. (This development did not tend to occur in areas such

as some parts of southern Ontario and English speaking Quebec where the credit union develop-

ments of industrial employment). Other small

cooperative developments suffered difficulties

in a manner analogous to the difficulties suffered

by the modest income group responsible for the

bringing into being and development of credit

unions. There has therefore been a natural af-

finity between such cooperative groups and credit

unions. As the credit unions through provincial

cooperative credit societies have from time to

time developed surplus funds they have tended

in many areas to make these available to other

cooperative enterprises (usually on a short term

basis as not to detract from the central

function of the credit union to serve its own

members). As some credit unions have grown

large, so have some of the other cooperative

enterprises, which likewise started with modest

beginnings.

#### 40. Creation of new techniques

(vii) The extent of the development of co-

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Credit Union Movement is still further illustrated



1 members can be met either by an extension of  
2 the philosophy of the credit union through its  
3 own instrumentality or in some instances by  
4 the creation of new institutions.

5  
6 41. The development of insurance benefits on  
7 the one hand and deposit accounts with so-called  
8 "chequing" services on the other hand in many  
9 of the English speaking credit unions represents  
10 the first type of extension within the credit  
11 unions themselves.

12 42. With their emphasis on savings the credit  
13 unions in North America very early recognized  
14 that to the man of modest means savings represented  
15 an attempt to build some kind of estate, in  
16 the event of death, as well as a cushion against  
17 hard times. Consequently CUNA Mutual Insurance  
18 Society was incorporated in 1935 and registered  
19 in Canada in 1942, and most credit unions began  
20 to insure on a group basis the lives of their  
21 members based on savings through shareholding  
22 as well as the outstanding balance of loans  
23 by members. The loan insurance also covers  
24 permanent disability. This proved a strong  
25 incentive to persons of modest means to save  
26 in their credit unions. Subsequently other  
27 insurers have made this type of group policy  
28 available.  
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members can be met either by an extension of the philosophy of the credit union through its own instrumentality or in some instances by the creation of new institutions.

41. The development of insurance benefits on the one hand and deposit accounts with so-called "chequing" services on the other hand in many of the English speaking credit unions represents the first type of extension within the credit unions themselves.

42. With their emphasis on savings the credit unions in North America have been successful in that to the man of modest means savings represented an attempt to build some kind of estate, in the event of death, as well as a cushion against hard times. Consequently CUNA Mutual Insurance Society was incorporated in 1935 and registered in Canada in 1942, and most credit unions began to insure on a group basis the lives of their members based on savings through shareholding as well as the outstanding balance of loans by members. The loan insurance also covers permanent disability. This proved a strong incentive to persons of modest means to save in their credit unions. Subsequently other insurers have made this type of group policy available.





43. The development of "chequing"

As credit unions demonstrated their ability to encourage savings amongst persons of modest means and thus make available a common fund to meet their credit needs also, two aspects became apparent. The same persons who put their long term savings in the credit union, also had shorter term funds saved from their weely or semi-weekly incomes or their incomes on account of their crops. These funds, however, required to be readily available to them to meet more immediate needs. Thus they were encouraged to place them on deposit and "chequing" privileges were permitted against these deposits. Further, many members found that for their limited financial needs the credit union was able to provide all of the services which they required. It was therefore a matter of convenience to them to be able to deposit their regular income in the credit union and pay their accounts by "cheque" as they required to be paid. In fact in some areas where "chequing" developed there were and still are no banks. These developments took place within the instrumentality of the credit union itself.

44. New Co-operative instruments

In some areas of Canada credit unions analyzed the needs of their members for credit



The Development of Credit Unions

In order to understand the development of credit unions

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Now Co-operative Instruments

In some areas of Canada credit unions analyzed the needs of their members for credit

1 and found that certain of these needs could  
2 be more effectively met through some new co-  
3 operative instrument. For example, in British  
4 Columbia C.U. & C. Health Services Society  
5 was incorporated by credit union people to  
6 meet problems of medical accounts -- often the  
7 cause for small loan needs. Many credit  
8 unionists similarly participated in the forma-  
9 tion of Co-operative Fire and Casualty Company.  
10 In Saskatchewan it was considered that funds  
11 to provide for long term mortgage needs might  
12 more rapidly be developed on a cooperative non-  
13 profit oriented basis through a co-  
14 operative trust company. All of these develop-  
15 ments emphasize the extent to which the basic  
16 philosophy of credit unions and their  
17 fundamental concern for the maintenance of  
18 the principles of democratic control, self  
19 help and non-profit orientation has permeated  
20 the whole credit union development.

21 45. Summary

22 Considerable emphasis has been laid in  
23 this brief on the sociological factors which  
24 have led to the development and substantial  
25 growth of credit unions in the English speaking  
26 section of Canada because:

- 27 (1) It is essential to an understanding  
28 not only of the growth as well as origin  
29 of credit unions, their loan practices,  
30 their views of liquidity and soundness,







but also

(2) To an understanding of their place in profit oriented economic theories and their responsiveness to monetary policy.

46. The human factor tends to override the profit oriented economic factor. The individual and local needs supersede the institutional emphasis. The primary objective of self help supplants the profit motive.

47. Thus, even when a small credit union becomes a large credit union (and it does so by growth) the substitution of membership in the credit union itself as the common bond, replacing another often less definitive common bond, does not defeat the real objective or approach of the credit union. As one Commissioner commented during the hearings "The egg becomes the hen". That may be a good way of stating it -- for when the egg does become the hen the fundamental nature of the organism does not change. If the egg became some other kind of animal it would be a serious divergence. Being of the same genesis thus the small and the large can be treated as a whole in the same manner and as cut from the same cloth.

48. Economic Factors

(b) Economic Factors

Consideration of the reason for the sub-



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stantial growth of credit unions, however, cannot ignore certain economic factors:

(1) It may not be without significance that the initiation of credit union activity came just at the beginning of the war years. As opportunities for consumer spending were restricted there was in the whole economy an emphasis upon savings. The functioning of a credit union being based on a pool of savings this trend in the economy undoubtedly added an impetus to their growth. The economic influence in the war years limiting the purchase of consumer goods likely also helped to establish the initial nature of credit union lending. Not only did the philosophy of the Movement require meeting the needs of all members equitably which with limited funds restricted credit unions to small loans, but the opportunity for persons of modest means to expend money on consumer goods was restricted.

50. Post-war developments

(11) After the war three economic factors emerged which would appear to have influenced the growth of credit unions --

(1) The standard of living greatly improved so that persons of modest means for the first time since before the depression had the opportunity to acquire the amenities



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1 of life (there having been forced curtail-  
2 ment of loans during the war years):  
3 (2) The income of wage earners and for a  
4 time of primary producers increased rapidly,  
5 which permitted continued savings; and  
6 (3) There was a tremendous surge of  
7 consumer demand -- resulting in the develop-  
8 ment on the one hand of consumer lending  
9 institutions and on the other the extension  
10 of credit by merchants. Often financing  
11 charges for consumer credit were excessive  
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13 rates of credit unions.

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15 51. Small Loans

16 Thus having obtained a strong start  
17 during the war years the credit unions were  
18 presented with great opportunities to en-  
19 courage savings and to satisfy needs of their  
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1 unions generally emphasized throughout that  
2 spending even upon consumer goods should be  
3 within the members' ability to make regular  
4 budgetary repayments.

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6 52. Housing needs

7 (iii) Throughout this whole period there  
8 was an awareness of the need for a solution  
9 to housing problems culminating in revision  
10 and extension of such acts of Parliament  
11 as the National Housing Act and the Home  
12 Improvement Act. At the same time the wartime  
13 prosperity of the primary producer began to  
14 suffer in relation to other sections of the  
15 economy. The Parliament of Canada recognized  
16 this in the Farm Loan Improvement Act. New  
17 industries were considered desirable and as the  
18 large corporations began to smother the small  
19 businesses two further Acts have been passed  
20 by Parliament to try to bring equity into  
21 economic development. Parliament created the  
22 Industrial Development Bank and more recently  
23 passed the Small Business Loans Act.

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25 needs was in many instances, and particularly  
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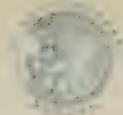
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 As savings of credit unions continued to



grow they increasingly were able to meet the urgent needs of their members for these types of loans, and as they have been able increasingly to meet more of the needs of their members they have continued to grow. Being non-profit oriented they moved into these areas more rapidly than other institutions. Profit oriented institutions required Government guarantees to do so and in some instances direct Government participation was required. Within the limit of their resources credit unions have tried to meet these socially desirable types of loans on the principle of self help rather than reliance upon Government assistance. In fishing and farming areas the emphasis has increasingly tended to be for this type of productive loan to predominate. In other areas the larger credit unions, as greater funds have developed, have moved into meeting some of these needs, mainly in the second mortgage field in urban areas although to date mainly on a short term basis.

#### 55. Relative Growth

While the growth of credit unions, if taken from their real inception in Canada (exclusive of Quebec) appears phenomenal, looked at in relation to other institutions it is a reasonable growth. To compare the



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1 growth of credit unions' savings with longer  
2 established institutions such as banks, trust  
3 companies and insurance companies, is like  
4 comparing the growth of an infant with that  
5 of a mature boy.

6  
7 56. Taking into account the increase in the  
8 gross national product since 1938, the erosion  
9 of the value of the dollar by inflation and  
10 the increase in the supply of money, the  
11 growth of other institutions in the war and  
12 post war periods has been substantial and the  
13 credit union growth represents relatively a  
14 reasonable part thereof. (See chart and  
15 figures annexed as Schedule 3).

16 57. In a free profit oriented economy,  
17 particularly in a period of rapid expansion  
18 as occurred after the war, it would be sur-  
19 prising if the same growth occurred in equal  
20 proportions between all existing institutions  
21 and if new institutions did not develop to  
22 meet new needs and new opportunities. The  
23 attraction to trust companies, for instance,  
24 which have shown very rapid growth in deposits  
25 in the post war era, has resulted from new  
26 methods, an appeal to the profit motive by  
27 higher rates of interest, and new opportunities  
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Taking into account the increase in the gross national product since 1933, the erosion of the value of the dollar by inflation and the increase in the supply of money, the growth of other institutions in the war and post war periods has been substantial and the credit union growth represents relatively a measurable part thereof. (See chart and file annexed as Schedule 3).

In a free profit oriented economy, particularly in a period of rapid expansion as occurred after the war, it would be surprising if the same growth occurred in equal proportions between all existing institutions and if new institutions did not develop to meet new needs and new opportunities. The attraction to trust companies, for instance, which have shown very rapid growth in deposits in the post war era, has resulted from new methods, an appeal to the profit motive by higher rates of interest, and new opportunities for investment. The very rapid growth of loan companies has reflected changing economic conditions and new profit oriented ways to



meet these which have resulted in phenomenal growth. These are to be expected in a viable free enterprise system.

58. The general increase in the income and standards of living of the whole population has resulted in a substantial growth in the personal savings in the chartered banks. There having developed in this period a successful people's movement which has gained the confidence of people of modest means who tend to save for a rainy day or for their future needs and cannot risk investment in the capital market, it is hardly surprising that the increase in the ability of such persons to save should favour credit unions.

59. The Future.

Whether such favouring of credit unions as a place of investment or depository will continue at the same rate in the future depends partly on the relative economic position of such persons and their ability to save. It also depends to a very large extent on whether the sociological factors hereinbefore referred to as accounting for the rapid and steady growth of credit unions based on a cooperative non-profit oriented philosophy can continue to command the confidence and win the loyalty of an ever increasing number of participant members. It must be kept in mind that the



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growth in assets of credit unions in relative terms is largely reflected in the continued growth in their membership. Reference to the relative stability in rates of dividends and interest on deposits paid by credit unions over the years demonstrates that it has not been profit oriented practices which has attracted new members. The basic factors accounting for their relative growth as with respect to their absolute growth, as indicated above is thus to be found in sociological and not solely economic causes.

60. Other "Competitive" Factors

(c) Other "Competitive" Factors.

Other factors which appear to influence and account for growth of credit unions:

1. Youth Savings

Under school savings programs in some provinces young people have become familiar with credit union aims and operations and have continued on into adult membership.

2. Educational Programs

Educational programs carried on by leagues and in some cases by local credit unions have induced many people to apply for membership in credit unions and become active in their operations.

3. Community Consciousness

Participation by community conscious





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persons of modest means who recognize the credit union as a means of community betterment through mutual cooperation in a program not attractive to a profit oriented organization.

4. Satisfactory Services

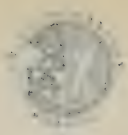
The benefits of loan and budget counseling which members receive are reported to others who become members in order to obtain the same advantages.

5. Open disclosure of cost

It is desirable that people wish to know the cost of what they buy. Some financial institutions in offering package deals and extension of terms do not reveal the actual cost of the service. As persons become aware of the full disclosure made by credit unions at all times, they are attracted to this manner of financing their affairs.

6. Adaptable to Members' needs

The credit union is often more adaptable to the needs of persons in a community where required loans are not attractive to profit oriented business. Such loans are often required for consolidation of debts, farmers' and fishermen's requirements, mortgages in outlying areas not available from other sources or second mortgages in urban centres available only at very high rates. Credit unions have shown a willingness to meet the needs of members with respect to types of loans



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2 oriented businesses, in any event without  
3 government guarantees or high rates of  
4 interest.

5  
6 61. Disadvantages

7 On the other hand there are certain ad-  
8 vantages which chartered banks and other  
9 financial institutions may have which counter-  
10 act the foregoing to some extent, for instance

11 Banks' personal Loans

12 1. The banks with nationally advertised  
13 personalized loan programs at reasonable  
14 rates may attract persons whose credit  
15 position is acceptable to them who might  
16 otherwise be attracted to credit unions.

17 Lack of Branches

18 ii. The banks and other institutions have  
19 many branches to meet the convenience of  
20 their customers. In small credit unions  
21 facilities are only available at the con-  
22 venience of a volunteer officer. Large  
23 credit unions employing permanent staff  
24 usually operate during normal business  
25 hours, minor exceptions appearing to meet  
26 the convenience of members.

27 Captive Savings

28 iii. Some other financial institutions  
29 benefit from captive investments of funds  
30 of persons of modest means by reason of



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#### Capital Source

12. Banks have a ready source of funds benefit from captive investments of funds of persons of modest means by reason of





1 group insurance and pension plans which  
2 may be a condition of employment.

3  
4 62. The Issue of Taxation

5 It has been intimated in some of  
6 the questions asked by the Commission at the  
7 Provincial hearings that credit unions have a  
8 taxation advantage which may have accounted in  
9 part for their growth. In fact they have no taxa-  
10 tion advantage in our submission. By virtue of  
11 the way in which they operate their affairs without  
12 the purpose of making a profit for the corporation  
13 set up as a matter of convenience to operate a  
14 mutual fund, the credit union itself has no income  
15 within the meaning of the Income Tax Act. The  
16 advantage which they have is not an advantage of  
17 exemption from taxation so much as an advantage  
18 which ensues from a mutual type of organization  
19 where the members contribute a fund which they  
20 use to lend to each other. The fact that they  
21 are non-profit oriented may be an advantage and  
22 account in part for their growth. However, be-  
23 cause others choose to carry on their operations  
24 on a profit oriented basis and thereby attract tax  
25 ought not to be a ground of criticism of the  
26 credit unions. It should further be pointed out  
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6 quire to be induced to enter such fields. (An-  
7 nexed to this brief as Schedule 4 is a discussion  
8 of the taxation position with respect to credit  
9 unions.)

10 63. Variety of types as factor in growth

11 (d) Types of Credit Unions.

12 Another factor in the growth and stability of  
13 credit unions has been the fact that they have  
14 developed in all sections of the economy in which  
15 primary producers, workers and other persons of  
16 modest means are active -- not just in the one area  
17 or another. Reference to the various bases of  
18 common bonds in briefs of each of the Provinces  
19 indicates this to be generally true across Canada.  
20 It will later be pointed out how this has added to  
21 the liquidity of credit unions. At this point it  
22 may be sufficient to comment that because of this  
23 diversity, not only have the credit unions gained the  
24 stature of a peoples' movement, but also through  
25 cooperation between these various sections of  
26 the community they have been able to make the  
27 maximum use of their funds in the promotion of  
28 their objects and to add tangible strength to  
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Variety of types as factor in growth

(d) Types of Credit Unions.

Another factor in the growth and stability of  
 credit unions has been the fact that they have  
 developed in all sections of the economy in which  
 primary producers, workers and other persons of  
 modest means are active -- not just in the one area  
 or another. Reference to the various bases of  
 common bonds in briefs of each of the Provinces  
 indicates this to be generally true across Canada.  
 It will later be pointed out how this has added to  
 the liquidity of credit unions. At this point it  
 may be sufficient to comment that because of this  
 diversity, not only have the credit unions gained the  
 stature of a peoples' movement, but also through  
 cooperation between these various sections of  
 the community they have been able to make the  
 maximum use of their funds in the promotion of  
 their objects and to add tangible strength to  
 each other.



64. Adaptation to Urbanization

Through this diversity and unity they have proven adjustable to the basic changes of urbanization which have taken place particularly in the Prairie Provinces. Had the credit unions developed solely as a rural movement this trend towards urbanization might have destroyed them or greatly limited their growth. Likewise, through this diversity and unity credit unions have been able through cooperation to meet the dangers of purely industrial organization. With changes in the economy in the post war era some industries have expanded but some have contracted and plants may close scattering workers to many parts. Through the development of community credit unions, amalgamations and stabilization and mutual aid funds credit unions have effectively limited losses to members resulting from shifts in the economy, to negligible proportions. This has only been possible to accomplish because of the broad diversified base of autonomous credit unions working together. There would appear to be little doubt that the stability which this diversity and unity has permitted has added to the confidence of persons of modest means in credit unions as a savings institution and accounts in some measure for their growth.





Statement to the Commission

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IV. DEMOCRATIC CONTROL AND SELF DISCIPLINE

65. Democratic Control

As previously indicated, credit unions are based on the assumption that the individual if he will cooperate with his fellow man in mutual enterprise is capable of governing his own affairs and of growing with the growth of his organization. This is one of the basic tenets of credit unions and is founded upon the principle of democracy -- one member one vote. When such a principle is firmly established, as it is by both philosophy and tradition in the Credit Union Movement whether or not the franchise to vote is always used, the machinery is built in to assure that the organization will serve the needs of the individual members. It serves at the same time both as a check upon the human tendency for power to be abused by those in whom it is vested, and as an assurance of the maintenance of the credit union principle of concern for the individual's needs and those of the local community. Where each member has an equal vote he assumes a right to equity in treatment with respect to both the opportunities to save and to borrow. This stresses one feature that distinguishes a credit union from other savings and credit agencies, namely, that administration, control and policies are in the hands of the members who accumulate savings in, and/or who may require to borrow from the credit unions.

66. Self-discipline

Along with this preservation of the right of the individual and concern for the local community,



THE CREDIT UNION MOVEMENT

Introduction

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55. Self-Discipline

of the individual and concern for the local community.



1 credit unions have demonstrated a high degree of  
2 responsibility in self-discipline -- both in relation  
3 to their members' interest and the public interest.  
4 Perhaps the greatest indication of this is disclosed  
5 in the evidence before the Commission that in every  
6 province the many changes which have been made to  
7 improve credit union Acts have been instigated or  
8 assisted by credit union leagues. Many of these  
9 changes have placed restrictions on credit unions as  
10 to their practices and operations designed to add to  
11 their liquidity and stability and to ensure their  
12 proper inspection and supervision. Recently, for  
13 instance, a complete revision of the British Columbia  
14 Act was made at the instigation of the B.C. Credit  
15 Union League after an extensive survey of credit  
16 union development in that province. In at least six  
17 provinces of Canada in recent years by legislation  
18 instigated by the Leagues or by voluntary cooperative  
19 methods within the Leagues, stabilization or mutual  
20 aid funds have been brought into being. (A summary of  
21 stabilization fund provisions is annexed as Schedule  
22 5 hereto).

23 67. These, it is respectfully submitted are  
24 signs of maturity in a popular movement. Also, however,  
25 these factors demonstrate the extent to which the  
26 basic philosophy of credit unions based on self help  
27 and voluntary cooperation have permeated and dominated  
28 their development.  
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68. Voluntary Supervision

In all provinces the Commission will have observed from the evidence that voluntary participation of credit unions in Provincial Leagues and in co-operative credit societies (where leagues do not themselves function as centrals) is remarkably high. While lacking authoritarian disciplinary procedures these leagues and credit societies have been able to retain the support of local autonomous credit unions in programs of education, supervision and legislation designed to encourage sound practices and to retain the basic philosophy of the Movement.





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V. PROVINCIAL AND OTHER REGULATORY AUTHORITIES

69. External Control and Inspection

In every province there is some provision for external control and inspection. (See Schedule 6 annexed for summary of these provisions as set forth in briefs). Two facts stand out with regard to such provisions. In most provinces the public inspection service is adequate and in each province it is supplemented by a high degree of voluntary cooperation by leagues and provincial credit societies. Generally this control and inspection is calculated to assure to the public that credit unions are formed only in the public interest and that they comply with the provisions of the statutes. Leagues have welcomed cooperation of the Inspectors, however, in anticipating trouble spots and in correcting practices likely to give trouble in the future.

70. When a significant part of the public have their savings invested in a large number of local autonomous credit unions to a substantial degree credit unions recognize that Provincial Governments have a proper right, having regard to the public interest, to reasonably control and inspect their operations. However they believe that self-discipline and cooperation is much better than authoritarian regulation and control. Self-discipline is character building. For this reason credit unions have also asked for liberalization to allow greater self-discipline, and this has been granted from time to time by Provincial Legislatures.

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1 The fact that the philosophy of credit unions has been  
2 based on this concept of character building both  
3 through saving and borrowing may account for the  
4 high degree of self-discipline through voluntary  
5 cooperation which characterizes the Movement.

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7 71. The credit unions take the view that the  
8 responsibility for inspection and regulation of credit  
9 unions in so far as it is in the public interest so to  
10 do, is properly vested in the provinces, by which the  
11 credit unions are incorporated. Having regard to the  
12 local autonomous nature of credit unions the provinces  
13 have (and have always shown) a vital interest in the  
14 development of credit unions. They are very much a  
15 matter of local and provincial concern.

16 72. The advantage of Provincial Supervision

17 Furthermore, provincial legislatures and  
18 administrators are much closer to the local operation  
19 of credit unions than any federal agency could be.  
20 The Provincial governments not only have the machinery  
21 to obtain current information and have direct contact  
22 with credit unions at reasonable cost, but are able to  
23 evoke the cooperation of provincial leagues very  
24 readily to deal with local problems as they arise.  
25 Amendments to provincial credit union Acts can, as  
26 matters of considerable local concern, be adopted  
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## The credit union movement in the provinces

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1 local matters would always be required to be related  
2 to the effect on thousands of other credit unions in  
3 their local areas across Canada. While in many  
4 respects credit unions have developed along similar  
5 lines in all provinces, there are real differences  
6 between provinces and between local communities  
7 which would make uniform federal legislation and its  
8 administration not only undesirable but difficult.

9  
10 73. Federal Supervision

11 In the case of Canadian Co-operative Credit  
12 Society and provincial cooperative credit societies  
13 which are registered under the Co-operative Credit  
14 Associations Act (Federal) which are thereby deemed to  
15 be incorporated under that Act, it appears logical that  
16 those associations should be regulated and supervised  
17 by a federal agency. At present this is done through  
18 the federal Superintendent of Insurance. It is  
19 appreciated that the incorporation of the Canadian  
20 Co-operative Credit Society and the registration of  
21 provincial co-operative credit societies under the  
22 Federal Act and supervision and inspection by a  
23 federal agency was a new experience for the Federal  
24 Government. As a result, the legislation and super-  
25 vision, in the view of the credit unions, was too  
26 closely identified with that appropriate for unlike  
27 financial institutions such as trust companies,  
28 loan companies and insurance companies.

29 74. If further regulation necessary

30 Certainly if this Commission is of the



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1 opinion (notwithstanding our representations to the  
2 contrary) that any further regulation or control is  
3 necessary in the financial or monetary interests of  
4 Canada then it is even more important that some  
5 agency fully conversant with credit union operations  
6 and philosophy should be the responsible agency for  
7 such regulation and control. The manifestations of  
8 voluntary response from credit unions (which they  
9 have shown can be most extensive) could be expected  
10 from a sympathetic administration which was anxious  
11 at the same time as securing national interest in  
12 financial and monetary policies, to preserve and not  
13 to inhibit the natural growth of the movement.

14 75. Credit unions and the institutions which  
15 they have created have, as shown above, a stronger  
16 sociological than economic background and basis for  
17 development. NACCU appreciates that credit union  
18 development must be related to the whole financial  
19 development of Canada and to the national interest.  
20 However, it submits that the unique nature of credit  
21 unions and their development should be recognized by  
22 Parliament (if the Commission recommends Parliament  
23 should be concerned) and effect given to such  
24 recognition in any administration under federal  
25 auspices. Furthermore in such event a more ready  
26 means to adapt legislation to growing needs of credit  
27 unions requires to be brought into being.

28 76. We would not wish this comment to be taken  
29 as in any way critical of the administration of CCCS  
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1. The Commission on Credit Unions and Co-operatives

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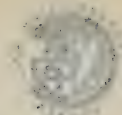




1 and the registered provincial cooperative credit  
2 societies up to the present time by the Department  
3 of Insurance. We recognize that this was a new  
4 venture for the Federal Government and its administra-  
5 tion and some experience had to be established. It  
6 was natural in the first instance to relate the  
7 legislation and administration affecting these credit  
8 union institutions to existing financial legislation.  
9 However, the brief of the Canadian Co-operative Credit  
10 Society will show that this has to some extent re-  
11 tarded the development of a national credit union.  
12 An examination of the many changes over the years in  
13 provincial legislation will perhaps illustrate to  
14 the Commission the need for some elasticity in  
15 legislative procedures and the need for frequent  
16 adjustment in legislation, supervision and regula-  
17 tion of credit unions.

18 77. In the event of the Commission making any  
19 such recommendation we would consequently suggest  
20 that an agency of the Federal Government be con-  
21 sidered, divorced in some measure from profit oriented  
22 financial institutions, to supervise, and, to the  
23 extent required, regulate and control CCCS and  
24 registered cooperative credit societies. Super-  
25 vision, regulation and control of these central  
26 type organizations would effectively extend to the  
27 major portion of the English speaking credit unions.  
28 We reiterate our position, however, that such federal  
29 intervention is not desirable.  
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VI. INTERNAL SYSTEMS OF CONTROL AND SUPERVISION

78. Internal Supervision and Control

The Commission will have observed in the several provincial briefs presented to it some variety in the systems of internal control and supervision by credit unions. Common to all, however, will be the following:

(a) Boards of Directors serving on a voluntary basis made up of members responsible to membership meetings where the democratic principle of one member one vote applies;

(b) Credit Committees elected by general meetings from the members with special duties relating to the granting of credit and the carrying out of the Board's policies and with the sole authority to grant loans;

(c) Supervisory Committees elected from the members at general meetings charged with frequent internal audit of the accounts of the credit union;

(d) In most credit unions having assets over \$200,000.00 external auditors of professional standing employed;

(e) Leagues and in some cases Chapters (or regional voluntary associations) with educational functions, field staffs closely liaised with Inspection Departments. While these are voluntary they have received a large measure of cooperation. The leagues are based on cooperation and not on coercion but having recourse to the Inspector

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1 and having regard to his powers, they have where  
2 necessary taken steps for corrective measures.

3 (f) Centrals or cooperative credit societies  
4 which give practical financial advice to credit  
5 unions and have the ability to grant or refuse  
6 loans based in part at least on sound practices  
7 by the credit union. In most provinces the  
8 liquidity reserves and surplus funds of the  
9 credit unions are deposited with the cooperative  
10 credit society thus giving an even stronger tie.  
11 The Commission will also have observed that these  
12 cooperative credit societies cooperate with  
13 the Inspector. Their method of influencing  
14 credit unions is mainly by moral suasion but  
15 nevertheless they are in a practical position  
16 to give considerable direction.

17  
18 79. In Ontario there is an arrangement with  
19 the Government in some measure similar to the arrange-  
20 ment between the Federation of Caisses Populaires  
21 in Quebec and the Government there whereby the  
22 League operates an inspection and audit service.  
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24 inspection service operated also by the Government.

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VII STRUCTURE OF CREDIT UNION ASSETS80. Factors Influencing Structure

The primary purpose of credit unions being to encourage members to save through contribution to a common fund and from that fund to meet the credit needs of their members, it is not surprising to observe that the main factors which influence the structure of credit union assets and changes in the size and structure of assets over time should be:

- (a) the ability and willingness of members to save, (growth);
- (b) the need of members to use their long term or shorter term savings for their own needs (withdrawals); and
- (c) the need of members for loans.

81. Loans to Members

Consequently we find that by far the largest factor in the assets of credit unions, and cooperative credit societies, is loans to members.

In the League Central type of organization mortgage loans may be made to individuals who are not themselves members of the league but who are nevertheless members of credit unions. The percentage of loans to total assets in the respective provinces presenting briefs as at December 31st, 1960 (except Nova Scotia, April 30th, 1961) is as follows:

B.C. Credit Unions	85.7%	B.C. Central Credit Union	68%
Alberta Credit Unions	76.4%	Alberta Central Credit Union	72%



1931

VII. THE LEAGUE OF NATIONS  
80. FINANCIAL AND ECONOMIC CONDITIONS

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Province	Percentage of Loans to Total Assets
P.E.I. Credit Unions	85.7%
N.S. Credit Unions	85.7%
N.B. Credit Unions	85.7%
Q.B. Credit Unions	85.7%
O.N. Credit Unions	85.7%
Man. Credit Unions	85.7%
Sask. Credit Unions	85.7%
Alta. Credit Unions	85.7%
B.C. Credit Unions	85.7%
Yuk. Credit Unions	85.7%
N.W.T. Credit Unions	85.7%



1	Saskatchewan Credit Unions	62.7%	Saskatchewan Co-op Credit Society	58%
2	Manitoba Credit Unions	83.0%	Manitoba Co-op Credit Society	84%
3	Ontario Credit Unions	86.0%	Ontario Credit Union League	92%
4			Ontario Co-op Credit Society	74.6%
5	Quebec Credit Unions	86.5%	Quebec Credit Union League	91%
6	(other than Caisses Populaires)			
7	Nova Scotia Credit Unions	80.0%	Nova Scotia Credit Union League (members) (mortgages)	9.5% 62%
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(See Schedule 7 annexed for source material)

82. It should be appreciated that these figures are taken at a particular date. As it is indicated in many of the briefs that demands for loans and withdrawals are seasonal throughout the year these figures may vary in accordance with seasonal fluctuations.

(See figures annexed hereto as Schedule 8 for credit unions and co-operative credit societies and leagues presently available which illustrate this fluctuation).

Notwithstanding this variation, however, loans to members at all times dominate the assets of credit unions.

83. The briefs themselves do not clearly indicate the extent of withdrawal of shares and/or deposits. They do indicate however that the balance of withdrawals against investment in share account has been substantial each year and there has been a much smaller though steady increase in the residue of deposit accounts. (The results of a questionnaire

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Unions	80.0%	Nova Scotia Credit Union League (members)
Unions (other than Catholic)	86.5%	League
Unions	86.0%	Union League
Manitoba Credit Union	82.1%	Credit Society
Saskatchewan Credit Union	82.1%	Credit Society
Ontario Credit Union	82.1%	Credit Society





1 answered by some 887 credit unions in six provinces  
2 represented by NACCU, requested by the Joint Secretary  
3 of the Commission, has not yet been analysed, but  
4 demonstrates that shares are regarded generally as  
5 readily withdrawable and are so treated by the  
6 members). There is a hard core of savings which  
7 continues in shares which grows from month to month.  
8 Unfortunately it was not possible to obtain figures  
9 with respect to the turnover of deposits. However,  
10 this would be with much greater frequency than shares.  
11 B.C. Central Credit Union, for instance, reported to  
12 the Commission that in 1960 the turnover in its  
13 deposits amounted to \$149,924,255.00. The balance  
14 of deposits at the beginning of the year against  
15 which orders could be issued being \$3,327,667.00 and  
16 at the end \$4,524,949.00. The turnover in an  
17 individual credit union would not be so great but  
18 would be substantial in those providing "chequing"  
19 service and in some greater than in others.

20  
21 84. Whatever the rate of turnover of deposits  
22 in individual credit unions it should be appreciated,  
23 as later commented upon in more detail, that the  
24 extent of the use of deposits in the English speaking  
25 credit unions is relatively small in relation to shares  
26 and that even where money is received on deposit only  
27 some of it is subject to "chequing privileges".

28 85. Again whatever the turnover in shares and/or  
29 deposits may be, over the past 15 years there has been  
30 a steady absolute growth in both shares and deposits





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demonstrates that shares are regarded generally as  
readily withdrawable and are so treated by the  
members). There is a hard core of savings which  
continues in shares which grows from month to month.  
Unfortunately it was not possible to obtain figures  
with respect to the turnover of deposits. However,  
this would be with much greater frequency than shares.  
The balance sheet of the year ending 1934-35 shows  
deposits amounted to \$119,994,255.00. The balance  
of deposits at the beginning of the year against  
which orders could be issued being \$37,667.00 and  
at the end \$4,524,909.00. The turnover in  
individual credit union would not be as great but  
would be substantial in those providing "savings"  
service and in some greater than in others.

84. Whatever the rate of turnover of deposits  
in individual credit unions it should be appreciated,  
as later commented upon in more detail, that the  
extent of the use of deposits in the British speaking  
credit unions is relatively small in relation to shares  
and that even where money is received on deposits only  
some of it is subject to "savings privileges".

85. Again whatever the turnover in shares and  
deposits may be, over the past 15 years there has been  
a steady absolute growth in both shares and deposits



1 in all credit unions. This growth has been reflected  
2 in a net increase in shares and/or deposits in co-  
3 operative credit societies and league centrals in  
4 most if not every instance.

5  
6 86. Growth in Shares and Deposits

7 In so far as the same are shown by the  
8 briefs filed and other available material this growth  
9 in shares and/or deposits for the various credit  
10 unions and other organizations is shown as for the  
11 years 1956 to 1960 inclusive in the following figures:  
12  
13  
14  
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30



in all credit unions. This growth has been reflected in a net increase in shares and/or deposits in co-operative credit societies and league centrals in most if not every instance.

Growth in Shares and Deposits

In so far as the same are shown by the reports filed and other available material this growth in shares and/or deposits for the various credit unions and other organizations is shown as for the years 1956 to 1960 inclusive in the following figures:

Shares Deposits Millions of Dollars				Shares Deposits Millions of Dollars			
B.C.Credit Unions				B.C.Central Cr. U.			
1956	42.0	2.4		1956	.8	5.0	
1957	51.4	3.5		1957	.8	5.8	
1958	64.4	3.6		1958	.9	7.3	
1959	79.5	4.7		1959	1.0	7.4	
1960	*90.0	4.3		1960	1.1	9.6	
				* Includes 23. endowment shares, net equity 4. Other years include endowment shares in lesser amounts.			
Alberta Cr. U.				Alberta Central			
1956	11.7	.9		1956	.5	.01	
1957	13.8	.8		1957	.6	.01	
1958	17.0	1.0		1958	.9	.001	
1959	20.6	1.0		1959	1.0	.2	
1960	24.4	1.4		1960	1.1	.6	
Saskatchewan Cr. U.				Saskatchewan Co-op Cr. Soc.			
1956	28.8	6.5		1956	5.5	3.6	
1957	33.7	7.6		1957	5.8	4.4	
1958	42.9	9.5		1958	8.2	8.3	
1959	53.5	10.5		1959	10.4	7.0	
1960	66.9	13.9		1960	12.6	7.5	
Manitoba Cr. U.				Manitoba Co-op Cr. Soc.			
1956	13.0	3.4		1956	.4	.5	
1957	16.3	3.6		1957	.5	.7	
1958	20.6	4.3		1958	.5	.9	
1959	25.6	5.0		1959	.6	.7	
1960	31.5	5.8		1960	.6	1.2	
Ontario Cr. U.				Ontario Credit U. League			
1956	73.2	20.7		1956	2.4	.2	
1957	90.9	22.4		1957	2.7	.3	
1958	111.8	28.7		1958	3.8	.6	
1959	136.1	33.3		1958	4.0	.7	
1960	161.9	39.7		1959	4.6	1.4	
				Ontario Co-op Cr. Soc.			
				1956	.2	1.6	
				1957	.3	2.2	
				1958	.4	3.6	
				1959	.5	3.9	
				1960	.6	5.2	
Quebec Cr. U.				Quebec Central Cr. U.			
1956)				1956	.11	N11	
1957)				1957	.13	N11	
1958)	not available			1958	.18	N11	
1959)				1959	.28	N11	
1960				1960	.32	.046	
Nova Scotia Cr. U.				Nova Scotia Cr. U. League			
1956)				1956			
1957)				1957			
1958)	not available			1958	.2	1.8	
1959)				1959	.22	2.2	
1960				1960	.24	2.4	

(See Schedule 9 annexed for source material)





87. Cash and Investments

While loans have tended to follow growth in deposits and shares, it should be noted that most credit union Acts require that a guarantee reserve fund be maintained separately represented by cash or investments and that most Acts or the established practices of credit unions, require liquidity reserves. Accordingly a portion of the assets of credit unions will always be found in liquid assets or invested in fairly liquid securities. (Investment policies and practices will later be discussed.)

88. According to the several briefs filed the portion of assets in cash, in the bank, or in League Centrals or co-operative credit societies and in investments are shown as follows, as at December 31st, 1960:

<u>Credit Unions:</u>	Cash (1)	Investments (2) & (3)
B.C. Credit Unions	8.9%	2.4%
Alberta Credit Unions	5.0%	13.7%
Saskatchewan Credit Unions	8.5%	24.4%
Manitoba Credit Unions	8.7%	6.1%
Ontario Credit Unions	4.6%	7.6%
Quebec Credit Unions	5.4%	6.2%
Nova Scotia Credit Unions	11.7%	3.0%
(1) Cash on hand, chartered bank or deposited in centrals;		
(2) Other than loans to members		
(3) May include shares in centrals -- other securities, governmental types.		



# 87. Cash and Investments

While loans have tended to follow growth in deposits and shares, it should be noted that most credit union Acts require the a guarantee reserve fund be maintained separately represented by cash or investments and that most Acts or the established practices of credit unions, require liquidity reserves. Accordingly a portion of the assets of credit unions will always be found in liquid assets or invested in fairly liquid securities. (Investment policies and practices will later be discussed.)

38. According to the several briefs filed the portion of assets in cash, in the bank, or in League

investments are shown as follows, as at December

31st, 1960:

<u>Credit Unions:</u>		Cash Investments
	(1)	(2) & (3)
E.C. Credit Unions	8.9%	2.4%
Alberta Credit Unions	5.0%	13.7%
Saskatchewan Credit Unions	8.2%	24.1%
Manitoba Credit Unions	8.1%	6.1%
Ontario Credit Unions	4.6%	7.6%
Quebec Credit Unions	5.1%	6.2%
Nova Scotia Credit Unions	11.1%	2.0%

(1) Cash on hand, chartered bank or

deposited in central;

(2) Other than loans to members

(3) May include shares in central -- other



	<u>Central Types:</u>	<u>Cash</u>	<u>Investments</u>
1			
2	B.C. Central Credit Union	13.0%	14.6%
3	Alberta Central Cr. Union	16.0%	4.0%
4	Saskatchewan Co-operative		
5	Credit Society	6.0%	34.0%
6	Manitoba Co-operative		
7	Credit Society	6.2%	6.7%
8	Ontario Credit Union		
9	League	6.0%	.8%
10	Ontario Co-operative		
11	Credit Society	9.5%	13.5%
12	Quebec Central Credit Union	10.0%	.9%
13	Nova Scotia Credit Union		
14	League	6.0%	31.0%

89. A comparison of these figures with figures available for the year end December 31st, 1957 shows slight variation in these percentages of assets which these figures represent. (While the amounts have grown absolutely the percentage of liquidity reserves to assets has not changed materially: e.g.

1957	Cash	Invest-	Cash	Invest-
		ments		ments
B.C. Credit Unions	8.4%	2.1%	B.C. Central Cr. Union	10.6% 14.6%
Alberta Credit Unions	7.6%	13.2%	Alberta Central Cr. Union	12.0% 1.2%
Saskatchewan Cr. Unions	11.8%	23.2%	Saskatchewan Co-op Cr.Soc.	6.3% 60.0%
Manitoba Cr. Unions	9.4%	7.3%	Manitoba Co-op Cr. Soc.	4.2% 9.8%
Ontario Credit Unions	6.3%	9.2%	Ontario Co-op Cr.Soc.	14.6% 16.3%

Again these are year end figures, but do show some basis of comparison. The only one showing a substantial difference is Saskatchewan Co-operative Credit Society which in 1957 had a substantial



1957

Assets      Liabilities      Investments

B.C. Central Credit Union	13.0%	14.0%
Alberta Central Cr. Union	10.0%	4.0%
Central Credit Society	6.0%	34.0%
Ontario Co-operative Credit Society	6.0%	
Quebec Central Credit Union	10.0%	
League	6.0%	31.0%

A comparison of these figures with figures available for the year end December 31st, 1957 shows slight variation in these percentages of assets which these figures represent. (While the amounts have grown absolutely the percentage of liquidity reserves to assets has not changed materially; 6.1.

1957      Cash Invest-      Other Invest-

Ontario	8.4%	2.1%	10.0%	14.0%
Saskatchewan	11.8%	23.2%	6.3%	60.0%
Cr. Unions	9.4%	7.3%	4.2%	2.4%
Ontario Co-				

Again these are year end figures, but do show some basis of comparison. The only one showing a substantial difference is Saskatchewan Co-operative Credit Society which in 1957 had a substantial





"deposit" with one of its co-operative members,  
which here has been dealt with as an investment.

90. Ownership of land and buildings

As credit unions grow larger they find it convenient and economical in some instances to invest in their own buildings and to acquire fixed assets. This, however, represents a minor part of the assets picture, the maximum of such investment of assets at year end 1960 showing as approximately 3 per cent of total assets.

91. Borrowed money

To a small degree the structure of credit union assets is influenced by borrowed money. The figures in the brief show that at December 31st, 1960 the percentage of borrowed money to total liabilities of credit unions, league centrals and cooperative credit societies was as follows:

	<u>% of total liabilities</u>		<u>% of total liabilities</u>
B.C. Credit Unions	5. %	B.C. Central Credit Union	4.3%
Alberta Credit Unions	4. %	Alberta Central Credit Union	Nil
Saskatchewan Credit Unions	3.5%	*Saskatchewan Co-op Credit Soc.	13.7%
Manitoba Credit Unions	5.0%	Manitoba Co-op Credit Society	Nil
Ontario Credit Unions	4.3%	Ontario Credit Union League	7.8%
		Ontario Co-op Credit Society	7.0%
Quebec Cr. Unions	3.2%	Quebec Central Credit Union	11.3%
Nova Scotia Cr. Unions	2.0%	Nova Scotia Cr. Union League	Nil







\* The Saskatchewan Government carries a deposit with this Society.

92. The amount of borrowed money illustrates, as was stated in some briefs that credit unions only borrow such sums as tend to maximize the use of their own funds. Often they borrow from their own institutions (i.e.) co-operative credit societies and league centrals. In some instances individual credit unions borrow from the Bank. Most co-operative credit societies and league centrals borrow from the bank. In Ontario the Ontario Co-operative Credit Society has borrowed by the issue of debentures, mainly sold to individual credit unionists or other cooperatives and to some extent in recent years in the open market. In Saskatchewan, presumably in recognition of the public service of credit unions, Saskatchewan Co-operative Credit Society has at times had the use of funds on deposit from the Saskatchewan Government.

93. Main sources of funds

Three factors being the main source of funds of credit unions, i.e. shares, deposits and borrowed funds, and three factors being the main application of these funds, (i.e.) loans to members, cash and investments in securities and investment in building and fixtures, the structure of credit union assets at any time are fairly simple to analyze.

94. Dominating factors in policy

From the standpoint of policy, as indicated

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#### 94. Dominating factors in policy

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1 in the above discussion four factors are predominant  
2 as influencing credit union policy:

3 (a) The maximum use of savings in credit  
4 unions for loans to members to meet their credit  
5 needs.

6 (b) A concern only to use their members'  
7 savings and no desire to profit out of the use  
8 of other persons' money (in order to assure  
9 maximum use of these, however, there is pooling  
10 through league centrals and cooperative credit  
11 societies and occasional short term borrowing,  
12 including in the case of Ontario Co-operative  
13 Credit Society borrowing by debenture issue to  
14 individual co-operators).

15 (c) A regard for the need for liquidity.

16 (d) Limited investment in buildings and fixed  
17 assets to the extent that the same is convenient  
18 and economic for their own use.

19  
20 95. An Indices of reaction to monetary policy

21 An examination of these factors may  
22 assist the Commission in determining the manner and  
23 extent credit unions responded to monetary policy.  
24 For instance, in periods of tight money, if credit  
25 unions were not responding to monetary policy one  
26 would expect to see an abnormal absolute growth in  
27 loans whether by reason of increased savings or  
28 reduced withdrawals, reduction in liquidity (either  
29 'in cash or by conversion of securities) and/or an  
30 abnormal increase in borrowing.



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(a) The maximum use of savings in credit  
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needs.

(b) A concern only to use their members' savings and no desire to profit out of the use of other persons' money (in order to assure maximum use of these, however, there is pooling through league centrals and cooperative credit societies and occasional short term borrowing, including in the case of Ontario Co-operative Credit Society borrowing by debenture issue to individual co-operators).

(c) A regard for the need for liquidity.  
(d) Limited investment in business and other assets to the extent that the same is convenient and economic for their own use.

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An examination of these factors may assist the Commission in determining the manner and extent credit unions responded to monetary policy. For instance, in periods of tight money, if credit unions were not responding to monetary policy one would expect to see an abnormal absolute growth in loans whether by reason of increased savings or reduced withdrawals, reduction in liquidity (either in cash or by conversion of securities) and/or an abnormal increase in borrowing.





1 96. The figures at year end for 1957 show no  
2 abnormal changes in these factors. At year end 1959  
3 we find the growth factor had been normal in most  
4 instances; the increase in liquidity was at a lesser  
5 rate than 1958 but closer to normal pattern. The  
6 figures at year end 1958 show that in every province  
7 there was at that time an abnormal surplus of  
8 liquid funds (cash or investments). Some of these  
9 may have been employed in loans early in the year  
10 1959. Increase in borrowing at the end of 1959 over  
11 the preceding year represent only approximately \$10.0  
12 million dollars.

13 97. As commented above, however, the year end  
14 figures may not give an entirely accurate picture as  
15 it has been repeatedly demonstrated in the briefs  
16 across the country the savings, withdrawals and loans  
17 have seasonal patterns throughout the year. Perhaps  
18 the schedule last referred to should be supplemented  
19 by reference to figures which are available on a  
20 monthly or quarterly basis from certain of the large  
21 credit union organizations. Some of these have been  
22 referred to in various briefs filed before the  
23 Commission. For the Commission's convenience, they  
24 are annexed hereto as schedule 8 supra. The docu-  
25 ments referred to are Schedule 14, Parts I and II to  
26 the B.C. Central Credit Union brief which show the  
27 fluctuations in employment of members' funds through  
28 B. C. Central Credit Union in that province. It  
29 should be noted that practically all credit unions in  
30



96. The figures at year end for 1957 show no abnormal changes in these factors. At year end 1959 we find the growth factor had been normal in most instances; the increase in liquidity was at a lesser rate than 1958 but closer to normal pattern. The figures at year end 1959 show that in every province there was at that time an abnormal surplus of liquid funds (cash or investments). Some of these may have been employed in loans early in the year 1959. Increase in borrowing at the end of 1959 over the preceding year represent only approximately \$10.0 million dollars.

97. As commented above, however, the year end figures may not give an entirely accurate picture as it has been repeatedly demonstrated in the briefs across the country the savings, withdrawals and loans have seasonal patterns throughout the year. Perhaps the schedule last referred to should be supplemented by reference to figures which are available on a monthly or quarterly basis from certain of the large credit union organizations. Some of these have been referred to in various briefs filed before the Commission. For the Commission's convenience, they are annexed hereto as schedule 8 supra. The documents referred to are Schedule 14, Parts I and II to the B.C. Central Credit Union brief which show the fluctuations in employment of members' funds through B. C. Central Credit Union in that province. It should be noted that practically all credit unions in



1 British Columbia deposit their reserves and surpluses  
2 in B. C. Central Credit Union so that this schedule  
3 reflects the picture in British Columbia fairly  
4 adequately with respect to all credit unions; a con-  
5 solidated statement of assets and liabilities on a  
6 quarterly basis with respect to Saskatchewan Credit  
7 Unions from 1950 to 1961 together with a graph  
8 showing relation of loans outstanding in relation to  
9 total shares and deposits in that province; Statistics  
10 of the Saskatchewan Co-operative Credit Society  
11 showing the fluctuation in employment of members'  
12 funds December, 1954 to December 1961 on a monthly basis  
13 together with graph illustrating; Ontario Credit  
14 Union League, Central Division, analysis of members'  
15 shares and deposits, loans payable and loans to  
16 members, January 1950 to December 1961; a schedule  
17 of fluctuation in employment of members' funds for  
18 the Ontario Co-operative Credit Society on a monthly  
19 basis December 1954 to December 1961.

20  
21 98. Monetary Policy Communicated

22 The evidence given by the central credit  
23 unions indicates that in 1959 when the bank advised  
24 the centrals of tight money policies steps were taken  
25 to curb lending by the credit unions. The evidence  
26 of the credit union leagues indicates that there was  
27 an increased pressure on the credit unions for loans  
28 during that period. However, the figures indicate  
29 that aside from normal growth the proportion of loans  
30 to assets did not in fact increase which confirms the  
evidence that the credit unions resisted the pressure





British Columbia deposit their reserves and supplies in B. C. Central Credit Union so that this schedule reflects the picture in British Columbia fairly adequately with respect to all credit unions; a consolidated statement of assets and liabilities on a quarterly basis with respect to Saskatchewan Credit Unions from 1950 to 1961 together with a graph showing relation of loans outstanding in relation to total shares and deposits in that province; Statistics of the Saskatchewan Co-operative Credit Society showing the fluctuation in employment of members' funds December, 1954 to December 1961 on a monthly basis

Union League, Central Division, analysis of members' shares and deposits, loans payable and loans to members, January 1950 to December 1961; a schedule of fluctuation in employment of members' funds for the Ontario Co-operative Credit Society on a monthly basis December 1954 to December 1961.

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1 of demands for new loans and were responsive to  
2 monetary policy communicated to them through the  
3 banks and their central credit unions.

4  
5 99. At the hearing in British Columbia, B. C.  
6 Central Credit Union was questioned with regard to  
7 the response to tight money in 1957. It appeared  
8 from the evidence given that while the directors  
9 of central credit unions anticipated earlier that  
10 money might be tight in 1957 and urged caution on  
11 the credit unions, there was no communication from  
12 the banks to the central credit union that their  
13 loans would be restricted. There is no evidence  
14 that any communication by the banks to the credit  
15 unions or the central credit union organizations in  
16 other provinces of Canada took place in that year.

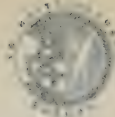
17 100. The purpose of Restrictions

18 In any event it would appear that the  
19 attempt of the Bank of Canada to reduce loans in  
20 1957 was not intended to apply to the many types of  
21 operations carried on by credit unions. See Annual  
22 Report of the Governor of the Bank of Canada 1957,  
23 pages 20 and 21 where he stated in part --

24 " The matter of providing adequate finance  
25 for small business -- with which I would include the  
26 requirements of farmers and professional groups  
27 as well as the needs of ordinary individuals  
28 for personal loans for non-speculative purposes --  
29 seems to me to be one of great importance.

30 During 1957 as in 1956 we have in discussions  
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1 "the position of these small borrowers. We have  
2 been assured by the banks that there was no  
3 discrimination against such borrowers .....  
4 It would I think be desirable that whenever the  
5 banks find it necessary to allocate their  
6 resources in the face of excessive total demands  
7 they should limit the rationing process to the  
8 field of large loans and should make it clear  
9 that this was the case. The first call on the  
10 resources of the national branch banking system  
11 must, I think, be to fill the credit-worthy needs  
12 for banking accommodation for small businesses,  
13 institutions, farmers and individuals -- including  
14 a reasonable level of loans for housing in all  
15 the various localities across Canada. This  
16 approach is feasible because the funds required  
17 to meet such needs are small in relation to the  
18 total resources of the chartered banks. The  
19 banks will always have very substantial additional  
20 resources to make available in flexible amounts  
21 for loans to large enterprises -- enterprises  
22 which can and do also obtain funds from non-bank  
23 sources and can vary their proportion of bank debt  
24 to non-bank debt as the circumstances may require."

25  
26 101. Some credit unions borrow directly from  
27 the bank and others from the bank through central  
28 organizations. They do so to facilitate loans to  
29 farmers and other primary producers as well as to  
30 meet the needs of ordinary individuals for personal

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1 loans for non-speculative purposes, including a  
2 reasonable level of loans for housing. Consequently  
3 it would appear that if credit unions did not appear  
4 too responsive this was not a frustration of intended  
5 national policy as stated by the Governor of the Bank  
6 of Canada. There is no evidence to indicate that the  
7 credit unions at any time have intentionally frustrated  
8 the monetary policy of Canada in so far as it has been  
9 communicated to them (except for minor borrowings by  
10 Ontario Co-operative Credit Society, see page 1135  
11 Vol. 11 Transcript). Aside from normal growth in  
12 1959 they held the line -- most of them by rationing  
13 loans and moral suasion. In the case of Ontario Co-  
14 operative Credit Society loan rates were adjusted.

15 102. Stimulation of economic activity

16 It is probably true that in time when  
17 it is desired to stimulate economic activity by monetary  
18 action credit unions do not immediately respond.  
19 As pointed out in the brief of B. C. Central Credit  
20 Union, page 14, paragraph 38, credit unions are  
21 mainly associations of primary producers and working  
22 men who tend to be conservative about borrowing until  
23 signs of economic recovery reflect themselves in  
24 actual employment. Accordingly, loaning practices  
25 of credit unions are more closely related to levels  
26 of employment than to prospects of profit. However,  
27 once the upturn in the economy has begun the major  
28 social objectives of the policies of credit unions  
29 actually stabilize and aid monetary policy. They  
30 exert an influence in the local community encouraging



loans for non-speculative purposes, including a  
 reasonable level of loans for housing. Consequently  
 it would appear that if credit unions did not appear  
 too responsive this was not a limitation of intended  
 national policy as stated by the Governor of the Bank  
 of Canada. There is no evidence to indicate that the  
 credit unions at any time have intentionally frustrated  
 the monetary policy of Canada in so far as it has been  
 communicated to them (except for minor borrowings by  
 Ontario Co-operative Credit Society, see page 113)  
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1 the ordinary people in the community to use and  
2 spend their funds more wisely. To the extent that  
3 their influence is made felt the excesses of an ex-  
4 panding economy are curbed.

5  
6 CASH AND LIQUID RESERVES

7 103. Statutory Conventional liquidity rations

8 The provisions of the various provincial  
9 statutes across Canada applicable to the English  
10 speaking credit unions vary considerably from province  
11 to province as to liquidity reserves. The most rigid  
12 of these are the provisions applicable now under the  
13 Credit Unions Act of the Province of British Columbia  
14 enacted in 1961. The statute now provides a reserve  
15 of 8 per cent against shares and 25 per cent against  
16 deposits withdrawable within one year. Prior to the  
17 recent amendments to the British Columbia statute, which  
18 followed a careful survey of the affairs of the  
19 credit unions in the province the provision had been  
20 5 per cent against shares and 25 per cent against deposits.

21 104. In Alberta the standard by-laws provide  
22 by Article XII that reserves and cash or readily con-  
23 vertible investments equal to 5 per cent of share capital  
24 and 10 per cent of deposits must be separately  
25 maintained and where a credit union permits the with-  
26 drawal of funds from deposit accounts by means of  
27 negotiable orders a reserve in cash or readily con-  
28 vertible investments equal to at least 25 per cent of  
29 deposits shall be separately maintained.

30 105. In Saskatchewan Section 79 of the Act



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1 requires every credit union to maintain a reserve to  
2 meet withdrawals of moneys in share or deposit  
3 accounts consisting of cash on hand or in a chartered  
4 bank or in the Saskatchewan Co-operative Credit  
5 Society Ltd. of not less at the end of each calendar  
6 month than 10 per cent of the liabilities of the credit  
7 unions to their members in respect of shares and  
8 deposits at that time. A larger percentage is re-  
9 quired where withdrawals from deposits may be made  
10 by negotiable order.

11  
12 106. In Manitoba there is no statutory cash  
13 or liquidity reserve requirement for credit unions.  
14 The conventional reserve ratio requirements vary.  
15 The brief filed by the Manitoba Credit Union League  
16 indicates that in practice it has been found that  
17 industrial credit unions may safely operate on a  
18 lower cash or liquidity reserve than those in rural  
19 areas as the demands of the latter arise at peak  
20 periods.

21 107. In Ontario there is no legal reserve  
22 ratio required and conventional reserve ratios vary  
23 and are adjusted by the experience of individual  
24 credit unions.

25  
26 108. In Quebec Section 39 of the Co-  
27 operative Syndicate Acts requires a credit union by  
28 by-law or order to create out of yearly income  
29 certain reserve funds and each credit union is  
30 required to put into such reserve funds at least



requires every credit union to maintain a reserve to meet withdrawals of money in share or deposit accounts consisting of cash on hand or in a chartered bank or in the Saskatchewan Co-operative Credit Society Ltd. of not less at the end of each calendar month than 10 per cent of the liabilities of the credit unions to their members in respect of shares and deposits at that time. A larger percentage is required where withdrawals from deposits may be made by negotiable order.

106. In Manitoba there is no statutory cash or liquidity reserve requirement for credit unions. The conventional reserve ratio requirements vary. The latter is in practice it has been found that industrial credit unions may safely operate on a lower cash or liquidity reserve than those in rural areas as the demands of the latter arise at peak periods.

107. In Ontario there is no legal reserve ratio required and conventional reserve ratios vary and are adjusted by the experience of individual credit unions.

108. In Quebec Section 39 of the Co-operative Syndicate Act requires a credit union by by-law or order to create out of yearly income certain reserve funds and each credit union is required to put into such reserve funds at least





1 10 per cent of its annual income until the reserve funds  
2 have reached an amount equal to at least the amount  
3 of the liabilities represented at any time by the  
4 shares of the association and any other resources  
5 thereof. However, there is no specific require-  
6 ment for liquidity reserves.

7  
8 109. In Nova Scotia there is no provision  
9 in the Act requiring liquidity reserves. The  
10 practice of the Government, Credit Union League and  
11 of the Inspectors is to encourage credit unions to  
12 keep 20 per cent of their assets in liquid form. The  
13 League has recommended that there should be at least  
14 5 per cent of assets in cash and the remaining portion  
15 in other investments and deposits with the League.  
16 This advice has been followed closely, as reported  
17 in the brief of the Nova Scotia Credit Union League.

18 110. Actual Liquidity

19 In order to compare liquidity positions  
20 of the credit unions in the several provinces it may  
21 facilitate the work of the Commission if we do so on  
22 the basis of a common standard and at the same date.  
23 The most available figures for all of the credit  
24 unions, credit union league centrals and co-operative  
25 credit societies appears to be December 31st, 1960.  
26 It is proposed to use the standard of the Act then  
27 applicable in British Columbia, that is 5 per cent reserve  
28 against shares and 25 per cent against deposits. Using  
29 this standard the following results:  
30



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#### 110. Actual Liquidity

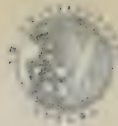
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the basis of a common standard and at the same date.  
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credit societies appears to be December 31st, 1930.  
It is proposed to use the standard of the Act then  
applicable in British Columbia, that is 5 per cent reserve  
against shares and 25 per cent against deposits. Using  
this standard the following results:



1960 (In millions of dollars)

	Assumed Standard Total Reserve	Cash	Invest- ments	Actual Total
British Columbia Credit Unions	5.5	9.4	2.5	11.9
B.C. Central Credit Union	2.45	1.5	1.7	3.2
Alberta Credit Unions	1.5	1.8	4.0	5.8
Alberta Central Credit Union	.38	.4	.1	.5
Saskatchewan Credit Unions	6.8	7.6	21.8	29.4
Saskatchewan Co-op Credit Society	2.5	1.5	8.4	9.9
Manitoba Credit Unions	3.0	3.7	2.7	6.3
Manitoba Co-op Credit Society	.33	.12	.13	.25
Ontario Credit Unions	9.7	8.1	13.4	21.5
Ontario Credit Union League Central	.9	.4	.05	.45
Ontario Co-op Credit Society	1.33	.6	.8	1.4
Quebec Credit Unions	2.9	2.1	2.4	4.5
Quebec Central Credit Union	.027	.044	.004	.048
Nova Scotia Credit Unions	.78	1.83	.47	2.3
Nova Scotia Credit Union League	.13	.175	.9	1.075

(NOTE: Re Nova Scotia Credit Union League, a portion of deposits are long term deposits and normally would not require the same liquidity reserve and it held 1.4 millions of dollars in mortgages not included in investments in the above calculation).



1960 (In millions of dollars)

	Actual		Standard	
	Total	Investment	Total	Investment
British Columbia Credit Unions	11.9	2.5	2.5	2.4
B.C. Central Credit Union	3.2	1.7	2.45	1.5
Alberta Credit Unions	2.3	4.0	1.5	1.8
Alberta Central Credit Union				
Saskatchewan Credit Unions	20.4	21.8	6.8	7.6
Saskatchewan Co-op Credit Society	2.9	3.4	2.5	1.5
Manitoba Credit Unions	6.3	2.7	3.0	3.7
Manitoba Co-op Credit Society	2.2	1.3	.33	1.1
Ontario Credit Unions	21.5	13.4	9.7	8.1
Ontario Credit Union League Central	.45	.05	.9	.4
Ontario Co-op Credit Society	1.4	.3	1.33	.6
Quebec Credit Unions	4.5	2.4	2.9	2.1
Quebec Central Credit Union	.04	.004	.027	.004
Nova Scotia Credit Unions	2.3	.47	.78	1.83
Nova Scotia Credit Union League	1.07	.9	.13	.175

(NOTE: Re Nova Scotia Credit Union League, a portion of deposits are long term deposits and normally would not require the same liquidity reserve and it held 1.4 millions of dollars in mortgages not included in investments in the above calculation).



1 111. Co-operative Credit Societies

2 It should be observed that we have in-  
3 cluded British Columbia Central Credit Union, the  
4 Saskatchewan, Manitoba and Ontario credit societies  
5 in the above list applying the above measuring rod  
6 although under the Co-operative Credit Associations  
7 Act (Federal) under which they are registered, they  
8 are only required to maintain liquidity reserves of  
9 20 per cent of deposits (at least 5 per cent cash  
10 and the balance in governmental securities).

11 112. British Columbia

12 From this rather stringent measuring rod  
13 it will be observed that all of the provincial credit  
14 unions (on the basis of consolidated statements) had  
15 reserves of cash or investments well exceeding the  
16 assumed standard at December 31st, 1960. Concerning  
17 the central credit unions there are a number of  
18 differences upon which comment should be made. In  
19 the case of British Columbia the assumed standard is  
20 more stringent than the provision of the Federal  
21 statute which applies. Even so the actual cash  
22 reserve of the central in British Columbia well ex-  
23 ceeds the assumed standard (and also the Federal  
24 statutory requirements). In this province it should  
25 be observed that 8.7 million of the 9.4 million  
26 shown as cash is deposited by the credit unions in  
27 B. C. Central Credit Union and 1.1 million invest-  
28 ment of credit unions in shares of Central.  
29  
30





It should be observed that we have included British Columbia Central Credit Union, the Saskatchewan, Manitoba and Ontario credit societies in the above list applying the above measuring rod although under the Co-operative Credit Associations Act (Federal) under which they are registered, they are only required to maintain liquidity reserves of 20 per cent of deposits (at least 5 per cent cash and the balance in Governmental securities).

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113. Alberta

With regard to the Alberta Central Credit Union its reserve is above the assumed standard. It would appear from Appendix 9 to the Alberta Credit Union brief and Appendix 6 (b) that a large portion of the 1.8 million shown as cash in the Alberta credit unions is deposited with the central and approximately one-quarter of the investments would appear to represent shares in central.

114. In the case of Saskatchewan Co-operative Credit Society it is well above the assumed standard although again the Federal Government standard actually applies. In Saskatchewan also the credit unions deposited 4.7 million of the 7.6 million cash shown in the consolidated statement in the co-operative credit society and of their investments of 21.8 million 11.9 million are in shares of the co-operative credit society. In its brief to the Commission the Saskatchewan Credit Union League estimated that as at December 31st, 1960 the credit unions had liquid assets in cash holdings and in readily convertible investments amounting to 25.6 per cent of the total assets. This may imply that some of the investments are not readily convertible as the percentage of investments to assets shown in paragraph 88 supra shows 24 per cent and cash 8.5 per cent.

115. Manitoba

The reserves of Manitoba Co-operative Credit Society are slightly below the assumed



With regard to the Alberta Central Credit Union it is above the assumed standard. It would appear from Appendix 9 to the Alberta Credit Union brief and Appendix 6 (b) that a large portion of the 1.3 million shown as cash in the Alberta credit unions is deposited with the central and approximately one-quarter of the investments would appear to represent shares in central.

114. In the case of Saskatchewan Co-operative

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unions deposited 4.7 million of the 7.6 million cash

shown in the consolidated statement in the co-operative

credit society and of their investments of 21.3

million 11.9 million are in shares of the co-operative

credit society. In its brief to the Commission

the Saskatchewan Credit Union League estimated that

as at December 31st, 1960 the credit unions had

liquid assets in cash holdings and in readily con-

vertible investments amounting to 29.6 per cent of

the total assets. This may imply that some of the

investments are not readily convertible as the per-

centage of investments to assets shown in paragraph

30 supra shows 24 per cent and cash 8.5 per cent.

The reserves of Manitoba Co-operative

Credit Society are slightly below the assumed



1 standard. However, it is relatively small and in  
2 any event complies with the Federal legislation.

3  
4 116. Ontario League Central

5 The Ontario Credit Union League shows  
6 reserves less than the assumed standard. Its opera-  
7 tion, however, is different from the credit societies  
8 and it does not have so-called chequing services. It  
9 properly ought to be commented that at the end of  
10 1961 the financial report of the Ontario Credit  
11 Union League Ltd., League Central Department, shows  
12 that the liabilities of the League have increased by  
13 approximately 1.5 million dollars mainly resulting  
14 from increases in members' share and deposit accounts  
15 and on the assets side the increase is reflected  
16 principally in an item shown as short term invest-  
17 ments 1.4 million dollars and an increase in cash  
18 in bank and on deposit with trust companies of .1  
19 million which would substantially improve its ratio.

20 117. Ontario Co-operative Credit Society

21 In the case of the Ontario Co-operative  
22 Credit Society, the Federal legislation applies.  
23 Even so its actual liquidity reserve exceeds the  
24 assumed standard. Again in this case it should be  
25 pointed out that according to the 1961 financial  
26 statement, Exhibit 45 to the brief of Ontario Co-  
27 operative Credit Society, its liabilities have in-  
28 creased by 2.5 million dollars, 2.1 million being  
29 increase in deposits by members and .2 million by  
30 increase in share capital. On the assets side,



However, it is relatively small and in any event compares with the Federal legislation.

10. Ontario Credit Union Central

The Ontario Credit Union Central shows reserves less than the assumed standard. Its operation, however, is different from the credit societies and it does not have so-called operating services. It properly ought to be commented that at the end of 1961 the financial report of the Ontario Credit Union League Ltd., League Central Department, shows that the liabilities of the League have increased by

approximately 1.5 million dollars from increases in members' share and deposit accounts and on the assets side the increase is reflected principally in an item shown as short term investments 1.4 million dollars and an increase in cash in bank and on deposit with trust companies of 1 million which would substantially improve its ratio.

11. Ontario Co-operative Credit Society

In the case of the Ontario Co-operative Credit Society, the Federal legislation applies. Even so its actual liquidity reserve exceeds the assumed standard. Again in this case it should be pointed out that according to the 1961 financial statement, Exhibit 45 to the brief of Ontario Co-operative Credit Society, its liabilities have increased by 2.5 million dollars, 2.1 million being increase in deposits by members and .4 million by increase in share capital. On the assets side,





1 investments have increased by 2.6 million which in  
2 its case also would improve its ratio.

3  
4 118. Further Sources of Liquidity (Credit Unions)

5 In addition to the reserves kept by  
6 the credit unions referred to in the above schedule,  
7 the credit unions have other sources of liquidity:

8 (a) New share and deposit money;

9 (b) Borrowing power;

10 (c) Proceeds of the repayment of loans which  
11 are short term and usually are repayable in  
12 regular semi monthly or monthly instalments.

13 119. The evidence before the Commission  
14 indicates that in fact many credit unions and central  
15 type associations look to those sources of liquidity  
16 first or to the rationing of loans if necessary be-  
17 fore looking to the sale of investments -- particularly  
18 that portion of investments which are longer term.  
19 In these respects there is a great deal of uniformity  
20 between the credit unions in all of the provinces.

21 120. Despite the fact that we will later in  
22 this brief discuss the distinction between shares and  
23 deposits in credit unions, in the English speaking  
24 communities, this might be an appropriate time to  
25 emphasize the differences between them as they  
26 relate to the question of the adequacy of liquidity  
27 reserve. We have assumed in the foregoing a standard  
28 of liquidity of 5 per cent against shares and 25 per  
29 cent against deposits, which standard is in excess of  
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119. The evidence before the Commission indicates that in fact many credit unions and central type associations look to those sources of liquidity first or to the rationing of loans if necessary before looking to the sale of investments -- particularly that portion of investments which are longer term. In these respects there is a great deal of uniformity between the credit unions in all of the provinces.

120. Despite the fact that we will later in this brief discuss the distinction between shares and deposits in credit unions, in the English speaking communities, this might be an appropriate time to emphasize the differences between them as they relate to the question of the adequacy of liquidity reserve. We have assumed in the foregoing a standard cent against deposits, which standard is in excess of



1 statutory and conventional ratios.

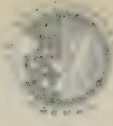
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3 121. Different rates of Reserve for Shares and Deposits.

4 While in all of the provinces deposits  
5 and shares are both regarded by members as with-  
6 drawable on short notice, there is a real difference  
7 in fact as to the tendency of members to withdraw  
8 which justifies the different rates of liquidity  
9 reserve applicable to shares and deposits. These  
10 reasons are:

11 122. (a) Deposit money is put into the credit  
12 union usually with the intention of withdrawing  
13 some of it before too long, e.g. for the payment  
14 of monthly or semi monthly accounts or saving for  
15 a specific purchase such as land, a piece of equip-  
16 ment, taxes, etc. It is only a residue of deposit  
17 accounts which remain as savings. The interest is  
18 paid on the basis of the minimum quarterly balance  
19 usually, and there is no insurance applicable to  
20 deposit accounts generally.

21 123: (b) Share investment on the other hand more  
22 frequently represents planned savings, regular  
23 withdrawals not being anticipated by the member.  
24 In addition there are the following detriments  
25 which discourage a member from withdrawing shares:

26 (i) dividends are often calculated on the  
27 balance of the share accounts held on the  
28 last day of the fiscal year for the portion  
29 of the year invested; and  
30



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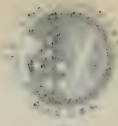
(11) by withdrawal of shares the member loses the important benefit of group life insurance because the insurance carried by the credit union is on his share balance and is not a fixed amount;

124. (c) In all provinces the directors have the authority to withhold the withdrawal of shares from sixty to ninety days and in most provinces the Inspector, or the Board itself, may extend the period. In most provinces there is a thirty day period during which the credit union may withhold the withdrawal of deposit moneys.

125. We have shown the liquidity position of the credit unions distinct from the liquidity position of the Centrals. Our reasons for this should be clear.

126. If the liquidity reserves of the credit unions were deposited in the chartered banks one would not take the financial statements of the chartered banks into a consolidated balance sheet of credit unions to arrive at the real liquidity position of the credit unions in any province. For the same reason in the calculations above the co-operative credit societies and league centrals have not been included in the consolidated figures for the credit unions. In other words the co-operative credit society or league central is a second tier of organization and its liquidity is a separate matter from the





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1 liquidity position of the credit unions.

2  
3 127. If the central is liquid the credit  
4 unions' deposits and shares therein are liquid.

5 128. In estimating, therefore, the real  
6 liquidity position of the credit unions in any  
7 province in so far as they deposit their liquidity  
8 reserves, other than cash in the till, and surplus  
9 funds with a co-operative credit society or league  
10 central it is important to analyze the liquidity  
11 position of the co-operative credit society or league  
12 central itself. This has been done with considerable  
13 care in the Survey Report filed as Exhibit 3 to the  
14 brief of the B. C. Credit Union League (in the  
15 section marked by the gray tab) from pages 67 to 75  
16 inclusive in relation to the credit unions in British  
17 Columbia and B. C. Central Credit Union. The  
18 liquidity of Central in that case was found to be  
19 sound and adequate. In the absence of many of the  
20 statistics necessary to prepare similar tables for  
21 the other provinces it is not possible here to make  
22 the same analysis for each province. However, from  
23 the figures above it appears that certainly with  
24 respect to those provinces in which the credit unions  
25 deposit or invest substantial sums in the co-  
26 operative credit society or league central the  
27 liquidity position is well assured by cash and  
28 securities.

29 129. No only do the three largest credit  
30 societies maintain at all times the statutory liquidity



1. The position of the credit unions.

2. In the central is the credit  
3. unions, deposits and shares therein are liquid.

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24. deposit or invest substantial sums in the co-  
25. operative credit society or league central the  
26. liquidity position is well assured by cash and

27. No only to the three largest credit  
28. societies maintain at all times the statutory liquidity



1 deemed by Parliament to be adequate under the Co-  
2 operative Credit Associations Act, Section 44, but  
3 most of the time their liquidity represented by  
4 cash and governmental securities exceeds those  
5 requirements. This may be observed from the figures  
6 and charts filed annexed as Schedule 11 hereto.

7  
8 130. Further sources of liquidity (Centrals)

9 In addition, however, to the liquidity  
10 reserves required by the Federal statute where it is  
11 applicable and also in the cases of co-operative  
12 credit societies and league centrals not registered  
13 under that Act there are other factors which enter  
14 into their liquidity as follows:

15 (a) The short term nature of their loans; and

16 (b) They all have borrowing power and from  
17 time to time use it; usually by established  
18 lines of credit with a chartered bank or banks;  
19 and

20 (c) They have no firm obligations to make  
21 loans and as to the ones registered under the  
22 Federal Act in fact if the statutory reserve is  
23 not maintained they are prohibited by statute  
24 from making loans.

25 131. There is a further intangible aspect of  
26 liquidity with regard to these central organizations.  
27 They being voluntary associations whose members con-  
28 sist of voluntary associations and all operating on  
29 the basis of dealing only with members, and a  
30 philosophy of mutual aid, if circumstances did arise



1 deemed by Parliament to be adequate under the Co-  
2 operative Credit Associations Act, Section 44, but  
3 most of the time their liquidity represented by  
4 cash and Governmental securities exceeds those  
5 requirements. This may be observed from the figures  
6 and charts filed annexed as Schedule II hereto.

7  
8 LIQUIDITY OF THE ASSOCIATIONS

9 In addition, however, to the liquidity  
10 applicable and also in the cases of co-operative  
11 credit societies and league centrals not registered  
12 under that Act there are other factors which enter  
13 into their liquidity as follows:

- 14 (a) The short term nature of their loans; and  
15 (b) They all have borrowing power and from  
16 time to time use it; usually by established  
17 lines of credit with a chartered bank or banks;  
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19 (c) They have no firm obligations to make  
20 loans and as to the ones registered under the  
21 Federal Act in fact if the statutory reserve is  
22 not maintained they are prohibited by statute  
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27 They being voluntary associations whose members con-  
28 sider of voluntary associations and all operating on  
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30 philosophy of mutual aid, in circumstances did arise





1 that an excessive demand for withdrawals against the  
2 central coincided from many credit unions the maximum  
3 cooperation in the rationing of funds amongst the  
4 members could be reasonably anticipated.

5  
6 132. Considered adequate

7 NACCU considers that taking into con-  
8 sideration all of the factors referred to above as  
9 well as the actual reserves (conventional or  
10 statutory) maintained in the various provinces,  
11 the liquidity position of the credit unions is  
12 sound. Concerning the central organizations NACCU  
13 considers that the statutory reserve ratio applicable  
14 to those registered under the Co-operative Credit  
15 Associations Act (which is less stringent than that  
16 applied above) is reasonable and that as a second  
17 tier of organization these centrals are sound  
18 places for the credit unions to deposit their  
19 liquid reserves and surpluses and the deposit of  
20 such reserves in these central organizations in no  
21 way detracts from the actual liquidity reserves  
22 maintained by the credit unions as shown in the  
23 consolidated statements of assets and liabilities  
24 referred to above.

25 133. Desirability of Statutory Minimum

26 Most of the members of NACCU would concur  
27 in a recommendation that the provincial governments  
28 should include in the statutes in their respective  
29 provinces some minimum requirement as to liquidity  
30 reserve recognizing that in dealing with consolidated



that an excessive demand for withdrawals against the central coincided from many credit unions the maximum cooperation in the rationing of funds amongst the members could be reasonably anticipated.

### 132. Considered adequate

NACCU considers that taking into consideration all of the factors referred to above as well as the actual reserves (conventional or statutory) maintained in the various provinces, the liquidity position of the credit unions is sound. Considering the actual liquidation NACCU considers that the statutory reserve ratio applicable to those registered under the Co-operative Credit Associations Act (which is less stringent than that applied above) is reasonable and that as a second tier of organization these centrals are sound places for the credit unions to deposit their liquid reserves and surpluses and the deposit of such reserves in these central organizations in no way detracts from the actual liquidity reserves maintained by the credit unions as shown in the consolidated statements of assets and liabilities referred to above.

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Most of the members of NACCU would concur in a recommendation that the provincial governments should include in the statutes in their respective provinces some minimum requirement as to liquidity reserve recognising that in dealing with consolidated



1 figures for the province there may be covered  
2 up on the overall figures some credit unions  
3 which do not maintain adequate liquidity reserves.  
4 If a minimum were provided in the statute this could  
5 then be enforced under the appropriate inspection  
6 laws. Some other members of NACCU may share the  
7 views expressed in a report of the Policy Committee of  
8 Ontario Credit Union League dated September 9th, 1961.  
9 This report is set out in the brief of the Ontario  
10 Credit Union League and reads:

11 "Having regard to the fact that credit unions  
12 are autonomous bodies and that each credit  
13 union may make provision for its own liquidity  
14 position and that access to ample funds is  
15 available to credit unions through the League  
16 Central and other services, it is the opinion  
17 of the Committee that under present circumstances  
18 legislation to require all credit unions to  
19 maintain a certain proportion of their funds in  
20 liquid form is not necessary."

21 Those who would support that view consider that the  
22 question of liquidity for any one autonomous body  
23 is a matter which should be based upon its experience.  
24 Notwithstanding that principle, however, all of the  
25 members of NACCU would agree that credit unions should  
26 maintain adequate liquidity reserves.

27 INVESTMENTS IN SECURITIES

28 134. Factors affecting Portfolios and Policies

29 There are several important factors which  
30 have given rise to the present portfolios of invest-



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If a minimum were provided in the statute this could  
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members of NACCU would agree that credit unions should

INVESTMENTS IN SECURITIES

134. Factors affecting Portfolios and Policies

There are several important factors which  
have given rise to the present portfolios of invest-



ments and policies of credit unions with respect to investments which should be kept in mind.

135. Recent Growth

(a) The importance of investments has only recently grown to significant stature. For a long time the amount which each credit union had for investment was relatively small. Even where credit unions had funds which they might otherwise invest, i.e., reserves, liquidity and guarantee and seasonal surpluses, they chose to invest in or deposit with central type associations. The funds available to those associations for investment until recent years have not been great.

136. Consequently much of the early investment of credit unions was not very knowledgeable and we find in the portfolios at all levels some investments of a long term type, which may be unsuited to their real function, but with which the credit union or central association is stuck, unless it is prepared to take a present loss.

137. The concept that government bonds are as safe as the Rock of Gibraltar and readily saleable at par has died hard in the minds of a great many people. Only those with close contact with the market have learned that there are many alternative investments with good yields and reasonable liquidity at or near cost.





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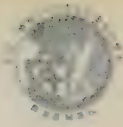
liquidity at or near cost.





130. Types of funds

(b) There are three principal types of funds of credit unions available for investment which influence their investment policies and portfolios. The first of these in most provinces are guarantee funds (as security for bad debts) which for some reason traditionally under provincial legislation have been required to be kept separately invested from other funds of the credit unions, (although normally a bad debt is written off as a book entry and requires no payment of cash). Further the loss ratios of credit unions have been universally so low that there has been little necessity to call upon these reserves. Consequently these reserves, which in many of the provinces represent a fair portion of the funds available for investment, have been regarded as not requiring a great deal of liquidity. Most credit unions are permitted to and do invest or deposit those reserves in or with these central type organizations. Thus in their view, because of the pooling of risk in central, and the great unlikelihood of a run on central for withdrawal of this type of funds (due to the low loss ratio) these investments are regarded by the individual credit unions as liquid. The central type credit union association on the other hand, knowing the small risk of any substantial demand for withdrawal of these funds may regard them as available for longer term higher yield invest-



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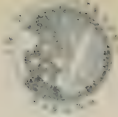
1 ments with assurance of ultimate recovery on  
2 maturity and not requiring an immediate market  
3 for liquidity.

4  
5 139. Liquidity Reserves

6 The second type of funds available for  
7 investment by credit unions and central type  
8 organizations are liquidity reserves. The  
9 purpose of these funds is to provide liquidity  
10 in the event of a sharp excess of withdrawal of  
11 share capital or deposits over the absolute  
12 growth in share purchases and deposits.

13 140. Once again the credit unions almost uni-  
14 versally have not experienced in the last  
15 fifteen years any lengthy periods where with-  
16 drawals sharply exceeded investment in shares  
17 and deposits. Consequently in their view,  
18 while the nature of this type of reserve requires  
19 greater liquidity, and therefore shorter term  
20 investment, they have not tended to keep these  
21 funds in absolute liquid or near liquid forms.

22  
23 141. Again most credit unions have in recent  
24 years maintained what they consider a desirable  
25 degree of liquidity by depositing these reserve  
26 funds with central type associations. Because  
27 of the experience of credit unions that no sharp  
28 lengthy demand for these reserves has been ex-  
29 perienceed on a wide basis, and the pooling of  
30 the risk of such a demand from one or several



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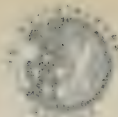


1 credit unions, by the deposit of reserves of many  
2 types and numbers of credit unions the centrals  
3 have come to regard a hard core of these funds  
4 to be safe for investment in longer term less  
5 liquid investments than otherwise might be  
6 required. They tend, however, to keep at least  
7 a portion of these funds in near maturity bonds  
8 for a margin of safety having regard to their nature.

9  
10 142. The evidence discloses that almost

11 ~~universally~~ credit unions do not regard liquidity  
12 reserves as a source of funds for making loans.  
13 Rather they regard liquidity reserves as a  
14 source of last resort to meet sharp and per-  
15 sistent excessive share or deposit withdrawals.  
16 Short seasonal demands for loans which may  
17 coincide with heavier withdrawals they meet  
18 mainly through rationing of loans or exercise  
19 of borrowing powers. Consequently in tight money  
20 periods when the demand for loans and withdrawals  
21 may be great and borrowing is restricted by  
22 necessity, the credit unions do not seek to  
23 liquidate securities as a further source of  
24 funds for loans. (This is no doubt not only due  
25 to their policy stated above, but also in some  
26 measure to the fact that keeping these reserves  
27 in securities having longer maturities than  
28 near liquid, they are not prepared to, nor can  
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1 is not tight the market for such securities is  
2 stronger and in any event borrowing on the  
3 security of such investments is not difficult  
4 to arrange).

5  
6 143. Seasonal and other surplus funds

7 The third type of funds which the credit  
8 unions have available for investment are seasonal  
9 or other surplus funds such as contingency reserves.  
10 These funds must be kept liquid.

11 (i) as to the first to be kept available  
12 for loans to members, and

13 (ii) as to the second to meet the con-  
14 tingencies for which they are created.

15 Many credit unions keep these funds in cash,  
16 on deposit with a chartered bank, or on deposit  
17 with a central type association on terms where-  
18 under they may be withdrawn on demand (or near  
19 demand). This type of money requires to be  
20 kept in very liquid form. Where it is deposited  
21 with central type associations usually they  
22 have estimated from past experience when the  
23 seasonal demands for these funds will tend to  
24 coincide and, accordingly, invest a safe portion  
25 of these funds in near liquid securities such as  
26 treasury bills, short term notes of first class  
27 securities, or government guaranteed parity bonds.  
28 In the choice of investment they naturally will  
29 be influenced by yield and the certainty of pay-  
30 ment on the due date.



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1 144. Requirements of the local Community

2 (c) In some measure the requirements of the  
3 local communities in the province may influence  
4 investment policies. Credit Unions are local  
5 provincial bodies closely allied to the interests  
6 of the local community of which their members  
7 often form an important segment. These local  
8 communities often require to finance by the  
9 issue of bonds for municipal, school or hospital  
10 purposes. Even when their bonds are guaranteed  
11 by the province (as they are in many instances)  
12 it is not easy for them to float their relatively  
13 small issues on the organized bond market.  
14 One serious disadvantage of this type of security  
15 is that while repayment is guaranteed the terms  
16 are often long and the bonds are not readily con-  
17 verted into cash by reason of lack of interest  
18 in the market.

19 145. Credit Unions have two ways of assuming  
20 their responsibility to the community in this  
21 respect.

22  
23 146. One is illustrated in the following  
24 statement extracted from Exhibit L at page 4  
25 of the brief presented by the Credit Union  
26 League of Manitoba Ltd., and Co-operative Credit  
27 Society of Manitoba Limited:

28 "The credit union was established to serve  
29 the needs and best interests of the members.  
30 If for example the Society is asked to pur-





144. Requirements of the local Community

(c) In some measure the requirements of the local communities in the province may influence investment policies. Credit Unions are local provincial bodies closely allied to the interests of the local community of which their members often form an important segment. These local communities often require to finance by the issue of bonds for municipal, school or hospital purposes. Even when their bonds are guaranteed by the province (as they are in many instances) it is not easy for them to float their relatively small issues on the organized bond market.

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145. Credit Unions have two ways of assuming their responsibility to the community in this respect.

146. One is illustrated in the following:

statement extracted from Exhibit I at page 4 of the brief presented by the Credit Union League of Manitoba Ltd., and Co-operative Credit Society of Manitoba Limited:

"The credit union was established to serve the needs and best interests of the members. If for example the Society is asked to pur-





1 "chase school debentures for the construction  
2 of a badly needed school in the area, or a  
3 neighboring municipality, the members might  
4 feel that they are providing a community  
5 service by purchasing some debentures. The  
6 point is, however, that the directors' (of  
7 the credit union) main concern as trustees  
8 is to protect the interests of the members  
9 and his, the member's, prime concern is not  
10 for the construction of the school.

11 The Board therefore might feel that an  
12 investment in government bonds was the safest  
13 course to follow. At the same time, the  
14 credit union could provide the money in loans  
15 to members who wish to borrow part of the  
16 money they would need to purchase debentures.  
17 The society could hold the debentures as  
18 security against the loans. In this way the  
19 credit union would be supporting the school  
20 debenture issue, encouraging the members to  
21 save, but placing the responsibility for  
22 support of the school on the members them-  
23 selves, where it belongs."

24 147. The other approach is illustrated in  
25 Saskatchewan where a large number of credit  
26 unions (some 222 out of 279) have small port-  
27 folios of investments in government and/or other  
28 securities (mostly under \$50,000.00) and where  
29 the portfolio of investments of the Saskatchewan  
30



"The school authorities for the [Name] of a badly needed school in the area, or a neighboring municipality, the members might [Name] service by purchasing some debentures. The point is, however, that the directors' (or the credit union) main concern as trustees is to protect the interests of the members and his, the member's, prime concern is not for the construction of the school. The Board therefore might feel that an investment in government bonds was the safest course to follow. At the same time, the credit union could provide the money in loans to members who wish to borrow part of the money they would need to purchase debentures. The society could hold the debentures as security against the loans. In this way the credit union would be supporting the school debenture issue, encouraging the members to save, but placing the responsibility for support of the school on the members themselves, where it belongs."

147. The other approach is illustrated in Saskatchewan where a large number of credit unions (some 222 out of 279) have small portfolios of investments in government and/or other securities (mostly under \$50,000.00) and where the portfolio of investments of the Saskatchewan



1 Co-operative Credit Society is relatively small  
2 in relation to investments in Dominion. Provincial  
3 and guaranteed Hydro securities. However, it  
4 serves to demonstrate that the credit unions are  
5 anxious and prepared to take such responsibility  
6 as they are reasonably able to do (within the  
7 margins of sound policy) to assist local com-  
8 munities to market bonds which otherwise they  
9 would have difficulty doing in seeking to raise  
10 money on the bond market. (It might be observed  
11 that the other two large co-operative credit  
12 societies in British Columbia and Ontario dis-  
13 close in their portfolios, also, a reasonable  
14 number of these local issues in small amounts).

15  
16 148. Variations between year ends

17 (d) The year end, or for that matter the  
18 quarter end statements of bond portfolios of  
19 credit unions, and particularly of the central  
20 type association may not disclose the whole  
21 picture of their investment policy. For instance  
22 in British Columbia the amount of investment in  
23 B. C. Central Credit Union at the quarter and  
24 year end December 31st, 1961 showed total in-  
25 vestments of \$2,400,000.00. Early in 1962 B.C.  
26 Central had invested, however, almost twice that  
27 sum, that is \$4,400,000.00. This represented a  
28 change in seasonal surpluses. Therefore a port-  
29 folio of investments on the earlier date might  
30 tend to show a greater predominance in longer



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(3) The year end, or for that matter the

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sum, that is \$4,400,000.00. This represented a  
change in seasonal surpluses. Therefore a good  
folio of investments on the capital side might  
tend to show a greater predominance of longer





term investments whereas one, say on February 28th, 1962 would show predominantly near maturity issues. This requires to be kept in mind in examining any portfolios filed with the Commission or with its researchers. There can be a very great fluctuation in portfolios depending on periods of seasonal surpluses.

149. Larger funds through Centralization

(e) As credit unions have grown in assets and as they have tended to invest or deposit reserves (guarantee and liquidity) and surplus in or with central type associations a larger fund for investment and greater maturity in investment policies have tended to develop.

150. An illustration of this might be taken from the supplemental material filed by B. C. Central Credit Union with the Joint Secretary of the Commission in which it reviewed the development of its policies with respect to investments:

"Prior to 1955 investments (of Central) were under one million dollars. After 1954 when Central decided to become registered under the Federal Act and that Act would require it to value securities at market not to exceed cost, Central followed a general policy of buying bonds at par or preferably at discount, with a view to applying any capital gain to building up a bond fluctua-





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1 "tion reserve. As it gained experience and  
2 as the reserve built up this reserve was  
3 merged with the general reserve.

4 In the last two years there has been  
5 available an increasing number of Provincial  
6 Government or provincially guaranteed parity  
7 bonds. In view of the requirement of the  
8 Federal Act and also better interest rates  
9 Central has in this period tended to shift  
10 its portfolio from short term Canada's or  
11 treasury bills to parity bonds.

12 In these circumstances and as more funds  
13 for investment have become available to  
14 Central greater attention is now given to  
15 yield in investment policies .....

16 Central is not interested in securities  
17 of this type (non-governmental securities)  
18 because for liquidity purposes it requires  
19 shorter term securities and in its invest-  
20 ment program the emphasis is on keeping  
21 seasonal funds and liquidity reserve employed.  
22 Its main function is not to deal in securities  
23 but to keep funds reasonably available for  
24 the use of its members, as required."

25 151. Requirements of Co-operative Credit

26 Associations Act

27 (f) Co-operative credit societies registered  
28 under the Federal Co-operative Credit Associations  
29 Act are influenced in their investment policies  
30 by the provisions of that Act and particularly



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"tion reserve. As it gained experience and  
as the reserve built up this reserve was  
merged with the general reserve.

In the last two years there has been  
available an increasing number of Provincial  
Government or provincially guaranteed par-  
bonds. In view of the requirement of the  
Federal Act and also better interest rates  
Central has in this period tended to shift  
its portfolio from short term Canada's or  
treasury bills to parly bonds.

In these circumstances and as more funds  
for investment have become available to  
Central greater attention is now given to  
yield in investment policies .....

Central is not interested in securities  
of this type (non-governmental securities)  
because for liquidity purposes it requires  
shorter term securities and in its invest-

ment program the emphasis is on keeping  
seasonal funds and liquidity reserve employed.  
Its main function is not to deal in securities  
but to keep funds reasonably available for  
the use of its members, as required."

Requirements of Co-operative Credit

Associations Act

(1) Co-operative credit societies registered  
under the Federal Co-operative Credit Associations  
Act are influenced in their investment policies  
by the provisions of that Act and particularly



1 the requirement that securities be valued at  
2 market. Because the valuation at market affects  
3 the ability of the Society to pay dividends,  
4 these societies are most anxious to acquire  
5 and retain in their portfolios securities which  
6 suffer the least possible risk of depreciation  
7 in market value. This tends to make them more  
8 conscious of marketability rather than yield.

9  
10 152. For instance in Ontario the transcript  
11 discloses that the Ontario Co-operative Credit  
12 Society is very conscious of this factor. There  
13 developed in that province a practice which one  
14 of the Commissioners appeared to find a great  
15 anomaly. At the same time as the society had  
16 substantial investments returning less than 5 per  
17 cent it sought to raise money from credit union  
18 and co-operative members (corporate and individuals)  
19 from a 5½ per cent debenture issue of its own.

20 153. This was explained in part by the  
21 Society's representative as a policy of raising  
22 longer term money for longer term co-operative  
23 loans which type of loans yielded a better rate  
24 of interest. It also reflected an attempt to  
25 keep investments in the Society at a maximum  
26 at a time when alternative investments for its  
27 members in the market could yield better returns  
28 than those paid by the Society on ordinary  
29 deposits or the dividends paid on shares.  
30





the requirement that securities be valued at market. Because the valuation at market affects the ability of the Society to pay dividends, these societies are most anxious to acquire and retain in their portfolios securities which suffer the least possible risk of depreciation in market value. This tends to make them more conscious of marketability rather than yield.

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For instance in Ontario the transcript of the Ontario Co-operative Society is very conscious of this factor. There developed in that province a practice which one of the Commissioners appeared to find a great anomaly. At the same time as the society had substantial investments returning less than 5 per cent it sought to raise money from credit union and co-operative members (corporate and individual) from a 5 1/2 per cent debenture issue of its own.

153.

This was explained in part by the Society's representative as a policy of raising longer term money for longer term co-operative loans which type of loans yielded a better rate of interest. It also reflected an attempt to keep investments in the Society at a maximum at a time when alternative investments for its members in the market could yield better returns than those paid by the Society on ordinary deposits or the dividends paid on shares.

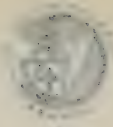




1 154. However, one factor was disclosed which  
2 is significant with respect to the present dis-  
3 cussion. The Society had succeeded by a record  
4 of payment of dividends of 4 per cent or better  
5 over the required period to make its shares  
6 eligible for investment by certain types of insurance  
7 companies and other investors whose power to invest  
8 are regulated by statute. It was anxious to re-  
9 tain that position. It therefore preferred to  
10 borrow money at a higher rate for the time being  
11 than to dispose of securities which at the time  
12 might have resulted in a loss which would have  
13 reflected itself in the dividend rate the Society  
14 would be able to pay. The statement of B. C.  
15 Central Credit Union referred to above certainly  
16 indicates the influence of the Co-operative Credit  
17 Associations Act provisions on its policies also.

18  
19 155. Mobility of funds by pooling

20 (g) The centralization of reserves (guarantee  
21 and liquidity) and surpluses in central type  
22 associations have made possible a mobility of  
23 these funds within the respective provinces by  
24 pooling and a larger fund for investment. It is  
25 submitted that as and when Canadian Co-operative  
26 Credit Society is able to function in a manner  
27 commensurate with its potential stature (re-  
28 flecting the size and growth of credit unions)  
29 this mobility and centralization of funds for  
30 investment will make the credit unions increasingly



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155. Mobility of funds by pooling

(a) The centralization of resources (resources and liquidity) and control are in general terms associations have made possible a mobility of those funds within the respective provinces by pooling and a larger fund for investment.

submitted that as and when Canadian Co-operative Credit Society is able to function in a manner commensurate with its potential stature (in reflecting the size and growth of credit unions) this mobility and centralization of funds for investment will make the credit unions increasing



1 sensitive to the price system and monetary  
2 policy reflected therein.

3  
4 156. The evidence given to the Commission by  
5 the Ontario Credit Union League as to its central  
6 type of operation indicated a certain rigidity  
7 on the question of the use of varying interest  
8 rates as a means to influence credit union  
9 policies.

10 157. The evidence given by the Ontario Co-  
11 operative Credit Society on the other hand  
12 showed an increasing awareness of the importance  
13 of variation in rates as an influencing factor,  
14 notwithstanding the generally non-profit oriented  
15 point of view of credit unions. (See supplemental  
16 brief filed by Ontario Co-operative Credit Society  
17 at the hearing in Toronto on April 12th, 1962  
18 and see also B. C. Central Credit Union brief  
19 pages 8 to 10, paragraphs 27 to 29 inclusive  
20 and Schedule 16 thereto).

21 158. NACCU is of the opinion that the further  
22 step of centralization and pooling of reserves  
23 and surplus funds in CCCS, were it possible to  
24 operate on a national scale on a similar basis  
25 to central type credit associations in the  
26 provinces, would greatly increase the sensitivity  
27 of the credit unions to the price system and  
28 monetary policy, not only in creating a broader  
29 base for mobility of the funds which are surplus  
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base for mobility of the funds which are surplus





1 to the needs of the individual credit unions but  
2 also because of larger participation in and  
3 therefore a closer relation to the capital  
4 market.

5  
6 159. Rather than set out the evidence upon  
7 which these conclusions are at least in part  
8 based in the text of this brief itself a summary  
9 of much of the evidence and its source is given  
10 in Schedule 12 annexed hereto.

11 160. It might be observed that in all  
12 provinces there is very little direct invest-  
13 ment by credit unions inter se or in other co-  
14 operative associations and there is no evidence  
15 of pooling of investments between credit unions  
16 except through investment or deposit in central  
17 types of associations.

18 LOANS AND MORTGAGES

19 161. Policy Foundations

20  
21 There are several fundamental characteris-  
22 tics of credit unions which have influenced their  
23 policies and practices with respect to loans and mort-  
24 gages to their members, which must be taken into  
25 account with respect to any generalizations or statis-  
26 tical data about credit union loans. These factors  
27 are:

28 162. (a) All credit unions have sprung from a  
29 small beginning which has meant that at first  
30 the funds available (those saved by the members)





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161. Policy Foundations

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of credit unions which have influenced their  
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agement to their members, which must be taken into  
account with respect to any generalization or statis-  
tical data about credit union loans. These are:

162. (a) All credit unions have savings from a  
small beginning which has meant that at first  
the funds available (those saved by the members)



1 have been limited.

2  
3 163. (b) The democratic nature of credit union  
4 organization (one member one vote) has tended  
5 to require the rationing of loans to meet the  
6 needs of all. (The statutes or rules in some  
7 provinces require priority to small loans when  
8 funds are in short supply.)

9 164. (c) Factors (a) and (b) together with the  
10 high charges made and a poorly organized market  
11 for small personal loans led the credit unions  
12 at first into the small personal loan field.

13  
14 165. (d) Credit unions are organized not only to  
15 promote thrift but to meet the felt needs of  
16 their members in their local community. This  
17 has resulted in different patterns of loan  
18 practices according to the common bond and the  
19 needs of the local community.

20 166. (e) The mutual aid basis of credit union  
21 organization and the emphasis in the first  
22 instance upon a common bond has resulted in  
23 greater reliance upon character in the granting  
24 of loans, humanitarian considerations in respect  
25 to inability to meet payments, and a reliance upon  
26 awareness of responsibility of the individual to  
27 the group for collection, than is possible for a  
28 private profit oriented business.

29  
30 167 (f) The non-profit orientation of credit



have been limited.

163. (b) The democratic nature of credit union organization (one member one vote) has tended to reduce the rationing of loans to meet the needs of all. (The statutes or rules in some provinces require priority to small loans when funds are in short supply.)

164. (c) Factors (a) and (b) together with the high charges made and a poorly organized market for small personal loans led the credit unions at first into the small personal loan field.

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167. (f) The non-profit orientation of credit



1 unions has led them, as the size of the common  
2 fund permits, to undertake types of socially  
3 desirable loans, which profit oriented business  
4 find undesirable (in any event without the ad-  
5 ditional incentive or security of government  
6 guarantees).

7  
8 168. General Statistics based on security for loans

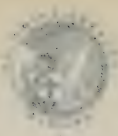
9 Pursuant to a request of the research  
10 advisors to the Commission, credit unions and caisses  
11 populaires in all the larger provinces except Ontario,  
12 recently provided statistics on a broad representative  
13 basis of the type of security taken by the credit  
14 unions.

15 169. While the type of security taken generally  
16 may give an impression of the policies and practices  
17 of credit unions in each province it is somewhat mis-  
18 leading because often the purpose of the loan may bear  
19 no relation to the security taken. This arises  
20 in two ways:

21 170. (a) In the smaller credit union where there  
22 is a close common bond and the loans tend to be  
23 small, greater reliance is placed solely upon  
24 character and/or guarantees by fellow members.  
25 In larger credit unions tangible security of  
26 some type is more usual (see B. C. Survey Report  
27 Schedule 3, B. C. Credit Union League under gray  
28 tab pages 33 and 34).

29  
30 171. (b) A member with a good record might make





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109. While the type of security taken generally may give an impression of the policies and practices of credit unions in each province it is somewhat misleading because often the purpose of the loan may bear no relation to the security taken. This arises in two ways:

110. (a) In the smaller credit union where there is a close common bond and the loans tend to be small, greater reliance is placed solely upon character and/or guarantees by fellow members. In larger credit unions tangible security of some type is more usual (see B. C. Survey Report tab pages 33 and 34).

(b) A member with a good record might make





1 a small loan for home improvement on the security  
2 of his signature without a mortgage; or a man with  
3 an equity in a house might mortgage it to finance  
4 his fishing or farming operations.

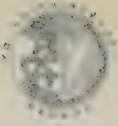
5  
6 172. Purposes of loans

7 Fortunately in three of the provinces  
8 there are statistics showing the purpose for which  
9 the loan was granted -- see B. C. Survey Report page  
10 31, which analyses this from the standpoint of size  
11 of credit union for 1957 in B.C. Also see Schedule  
12 15, B. C. Credit Union League brief for a spot check  
13 made for period Jan. 1st, 1961 to Nov. 30, 1961  
14 from 62 per cent of the credit unions in that province.

15 173. The office of the Deputy Minister for  
16 Co-operatives in Saskatchewan has a consolidated  
17 breakdown of purpose of loans for many years and  
18 the Inspector of Credit Unions for Manitoba has  
19 tabulated this information over a number of years.  
20 For the convenience of the Commission a copy of the  
21 Saskatchewan and Manitoba figures as well as copies  
22 of the B. C. figures are annexed as Schedule 13  
23 hereto.

24  
25 174. Analysis of Purposes of Loans (1960-1961)

26 Summarixing the purposes of loans on a  
27 consolidated basis for these three provinces the  
28 following main features of loaning practice and  
29 policies appear:  
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### 174. Analysis of Purpose of Loans (1950-1951)

Summarizing the purposes of loans on a  
consolidated basis for these three provinces the  
following main features of loaning practice and  
policies appear:



<u>Purpose of Loan</u>	<u>B.C.(1961)</u>	<u>Sask.(1960)</u>	<u>Man.(1960)</u>
Farm operation		9.23%	8.38%
Real Estate and Home or Farm Improvement	30.0%	37.07%	31.93%
Autos & Trucks Re- pairs & Purchase	23.0%	21.6%	22.79%
Household Appliances	7.0%	5.52%	5.93%
Consolidation of debts	16.0%	12.89%	12.92%
Others	<u>*24.0%</u>	<u>13.69%</u>	<u>18.05%</u>
	100 %	100 %	100 %

\*Includes fishermen's loans, farm operations  
and a large number of endowment loans

175. The figures for the 1961 spot check in British Columbia based on purpose of loans have also been analyzed by the type of credit union. The Annual Report of the Minister of Co-operation in Saskatchewan likewise analyses loans for 1960 on the same basis. A comparison of that analysis may be useful in helping to qualify and interpret general statistics based on security.



Table showing the distribution of loans by type of security, 1913.

Auto & Trucks Repairs & Purchase	23.0%	21.6%	22.7%
Household Appliances	7.0%	5.5%	5.9%
Consolidation of debts	10.0%	12.8%	12.9%
Others	*24.0%	13.6%	19.0%
	100 %	100 %	100 %

\*Includes fishermen's loans, farm operations

and a large number of endowment loans

175. The figures for the 1913 year check in British Columbia based on purpose of loans have also been analyzed by the type of credit union. The Annual Report of the Minister of Co-operation in Saskatchewan likewise analyzes loans for 1900 on the same basis. A comparison of that analysis may be useful in helping to qualify and interpret general statistics based on security.





Purpose of Loan	Type of Credit Union							
	Associational		Occupational		Rural Com- munity		Urban Com- munity	
	B.C. %	Sask. %	B.C. %	Sask. %	B.C. %	Sask. %	B.C. %	Sask. %
Real estate home or farm im- provement	37.	36.9	22.	21.32	32.6	36.14	41.	43.04
Autos, Trucks, Machinery	19.	18.47	26.	22.54	19.1	22.05	27.	20.8
Household Appliances	7.	7.2	7.	12.33	3.7	2.27	4.25	5.9
Consolida- tion of debts	15.	15.6	20.	24.82	15.4	11.35	15.	12.41
Others	22.	21.83	25.	18.99	29.2	28.19	12.75	17.85
	100.	100.	100.	100.	100.	100.	100.	100.

176. Having regard to the differences between the economy of British Columbia and Saskatchewan, it is obvious that the type of common bond or community within which a credit union is organized makes a significant difference in the purpose for which loans are granted. The analysis of the 1961 British Columbia loans on a basis broken down into even more classes of 'common bond or community annexed as Schedule 13 supra emphasizes this even more than the above comparison.

177. Manitoba and Saskatchewan are the only provinces with statistics of purposes of loans ten years ago. The Inspector of Credit Unions for Manitoba has provided these for 1950 and the Deputy Minister of Co-operation in Saskatchewan for 1951.



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as Schedule 13 supra emphasizes this even more than more classes of common bond or community annexed Columbia loans on a basis broken down into even are granted. The analysis of the 1951 British significant difference in the purpose for which loans within which a credit union is organized makes a is obvious that the type of common bond or community the economy of British Columbia and Saskatchewan, it 176. Having regard to the differences between:

Purpose of Loan	Type of Credit Union					
	Provincial	Associational	Occupational	Rural Community	Urban Community	Other
Real estate	37.	36.9	22.	21.32	32.6	41.1
farm improvement	19.	18.47	20.	22.24	19.1	22.05
Machinery	7.	7.2	7.	12.38	3.7	2.27
Household Appliances	22.	21.83	25.	18.39	29.2	28.12
Consolidation of	100.	100.	100.	100.	100.	100.
Others	100.	100.	100.	100.	100.	100.

Summarized they appear as follows and should be compared with the table on page A.178.

(1950-1951)

<u>Purpose of Loan</u>	Saskatchewan	Manitoba
	<u>(1951)</u>	<u>(1950)</u>
	<u>%</u>	<u>%</u>
Farm operation	23.7	19.
Real Estate and home and farm improvement	20.2	20.
Autos, Trucks, Repairs & Purchases	13.8	15.
Household appliances	5.3	7.
Consolidation of debts	5.7	13.
Others	<u>31.3</u>	<u>26.</u>
	100	100

178. Some of the items described as "other" in the Manitoba report were insurance, taxes, hospital, medical, dental, educational and vacations. The total loans in Saskatchewan in 1951 were 8.1 million dollars and in Manitoba in 1950 were 3.8 million dollars.

179. Generally from this analysis we can conclude:

180. Conclusions as to purposes of loans

(1) From a small loan type of operation able to provide its members with loans to meet immediate personal needs or emergencies, the credit unions have developed into instruments increasingly able to meet the needs of their members related to their occupations and housing requirements.

Summarized their report as follows and should be

(1950-1951)

Purpose of Loan		Total	
		Percentage	
Real Estate and home and farm improvement	20.2	20.2	20.2
Business & purchases	13.6	13.6	13.6
Household appliances	5.3	5.3	5.3
Consolidation of debts	5.7	5.7	5.7
Other	56.2	56.2	56.2
	100	100	100

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in the Manitoba report were insurance, taxes, hospital,

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(2) credit union loans tend to be adapted to the needs of the local community, e.g. amongst fishermen in British Columbia 46 per cent of the loans of fishermen's credit unions are for the purpose of fishing boats and gear and another 19 per cent for purchase and improvement of homes. Amongst farmers in Saskatchewan 46.3 per cent of loans in 1960 were lent for purposes of farm operation, real estate, home and farm improvement. Amongst city dwellers in both British Columbia and Saskatchewan over 40 per cent of loans were for real estate and home improvement. In all categories approximately 20 per cent was lent for the purchase or repair of automobiles and trucks. Having regard to the general type of citizen which the credit unions are organized amongst these figures cannot be regarded as unrelated to their occupational needs. It is interesting to observe that loans for household appliances in these provinces range from 5.52 per cent to 7 per cent only. The credit unions still meet the need for emergency and budgetary financing of their members as indicated by the 13 per cent to 16 per cent of loans advanced for consolidation of debt and the 20 per cent to 25 per cent for miscellaneous purposes. In urban areas the loans of credit unions are principally for consolidation of debts, medical expenses, holidays, transportation and to an increasing degree for assisting members





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1 in financing the purchase and improvement of  
2 their homes. In rural areas loans are most  
3 frequently made for farm operation (or purchase  
4 of boats and gear by fishermen) and for  
5 purchase and improvement of farm property as  
6 well as for transportation, taxes and con-  
7 solidation of debts.

8  
9 182. National Interest

10 Many of these principal types of loans  
11 have been declared by parliament a matter of  
12 national interest, e.g. in the Fishermen's Loan  
13 Improvement Act, the Farm Loan Improvement Act,  
14 The Home Improvement Act, the National Housing Act.  
15 The reason for such a declaration by parliament  
16 would appear to have been that primary producers and  
17 other persons of modest means have difficulty ob-  
18 taining such loans at reasonable rates in the  
19 organized capital markets. To attract investment  
20 into these fields the Government has been required  
21 to grant guarantees and set up special agencies.

22 183. Credit Unions have pioneered.

23 It is not surprising that credit unions  
24 have pioneered much of this field (see B.C. brief re  
25 Fishermen's Loan Improvement Act, Schedule 16)  
26 because of four factors relating to their loaning  
27 practices:

- 28 (1) they are local organizations concerned  
29 with the credit needs of their local communities,  
30 (2) the nature of their organization makes



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- (1) they are local organizations concerned with the credit needs of their local communities,
- (2) the nature of their organization makes



1           It possible to assume at reasonable rates what  
2           to other institutions would be a greater and  
3           unattractive risk factor,

4           (3) they are non-profit oriented; and

5           (4) they are based on the principle of  
6           self help through mutual effort.

7  
8           184. The organized mortgage market

9           The organized mortgage market generally  
10          is not interested in loans in remote areas. From  
11          a reproduction showing the investments of all  
12          insurance companies in Canada registered under  
13          the Federal Act appearing in the March 31st, 1962  
14          issue of the Financial Post, it is apparent that very  
15          few such insurance companies carry any rural mort-  
16          gages and of those that do the percentage of their  
17          total assets so employed is negligible (see  
18          Schedule 14 annexed). As to trust companies  
19          (another traditional source of loans in the organized  
20          mortgage market) they are tending increasingly to  
21          invest in bonds and securities and less in mortgages  
22          (see Financial Times, April 14th, 1962.) It appears  
23          likely that the same factors which operate against  
24          insurance companies investing in rural mortgages  
25          would apply also to trust companies.

26          185. The need

27          Even if it could be assumed that  
28          insurance and trust companies and others in the  
29          organized mortgage market, did not limit invest-  
30          ments in urban areas to selective risks and newer



it possible to assume at reasonable rates what  
to other institutions would be a greater and

- (3) they are non-profit oriented; and
- (4) they are based on the principle of  
self help through mutual effort.

184. The organized mortgage market

The organized mortgage market generally  
is not interested in loans in remote areas. From  
a reproduction showing the investments of all  
insurance companies in Canada registered under  
the Federal Act appearing in the March 31st, 1962  
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1 houses, the fact that most of them are limited by  
2 statute to a maximum advance of 65 per cent (and  
3 in practice many of them do not lend to this limit)  
4 means that a person of modest means, wishing to  
5 purchase or limprove a home in the urban area must  
6 either have substantial savings or look to the  
7 individual investor for assistance by way of a second  
8 mortgage. The risks of a second mortgage, plus the  
9 plight of the borrower of modest means, and the  
10 absence of an organized second mortgage market has led to  
11 high rates or heavy bonuses for this type of mortgage,  
12 and to the discounting of mortgages at high rates.

13 186. The existence of the National Housing  
14 Act and Central Mortgage and Housing Corporation  
15 has placed some curb on this, it being possible  
16 for some persons of modest means to finance new  
17 homes under these government subsidized programs.  
18 However, many such persons cannot afford to under-  
19 take the obligations involved in financing a new  
20 home.

21  
22 187. Here the urban community and associa-  
23 tional credit unions, within the limits of their  
24 resources and with regard to the other credit needs  
25 of their members, have stepped in. They have thus  
26 not only encouraged the end expressed by parliament  
27 as socially desirable that home ownership and  
28 improvement should be encouraged but also that for  
29 persons of modest means the financing thereof should  
30 be assured at reasonable costs.





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187. Here the urban community and associational credit unions, within the limits of their resources and with regard to the other credit needs of their members, have stepped in. They have thus not only encouraged the end expressed by Parliament as socially desirable that home ownership and improvement should be encouraged but also that for persons of modest means the financing thereof should be assured at reasonable costs.



188. Limits on Length of Loan

The evidence disclosed by the provincial briefs and at the hearings thereon have indicated that the resources of the credit unions have limited both the amount of and the length of time for which loans for home purchase and farm and home improvement have been possible. However, it also discloses that as individual credit unions grow in size more funds for longer periods are available. One restricting factor has been the consciousness of credit unions of the need for liquidity. In two provinces this has been met by innovations to the credit union approach. In Saskatchewan the credit unions have joined in the formation and financing of a provincial trust company to finance longer term mortgages. In Nova Scotia the financing of mortgages is a major function of the League Central.

189. Where Credit unions are going in loans

The Commission has shown some interest in where the credit unions are going. The answer to this question may be found in their loaning practices in the following respects:

190. (a) Credit unions, because of their local nature, co-operative mutual aid principles, and non-profit oriented outlook, have been able to meet felt credit needs of persons with respect to socially desirable ends at reasonable rates of interest.



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190 (a) Credit unions, because of their local nature, co-operative mutual aid principles, and non-profit oriented outlook, have been able to meet felt credit needs of persons with respect to socially desirable ends at reasonable rates of interest.



1 191. (b) Credit unions have demonstrated (largely  
2 because of these same characteristics) an  
3 adaptability to the changing needs of members.

4  
5 192. (c) Credit unions as they grow in size of  
6 assets are able to assume increasing responsi-  
7 bility in areas of the credit needs of persons  
8 of modest means which the profit oriented  
9 organized lending institutions are unable  
10 or unwilling to serve, and where consequently  
11 rates and charges tend to be high.

12 193. At the moment it would appear likely that  
13 credit unions may tend to lay greater emphasis upon  
14 the mortgage needs of their members, as they grow  
15 and funds develop to meet those needs adequately.  
16 However, their short effective history would  
17 indicate that they will adapt to whatever type of  
18 loan practices will meet needs in their local  
19 communities which can most successfully be met  
20 by their unique type of organization at better  
21 rates than profit oriented institutions can meet  
22 them. Where they go in the future, will depend  
23 largely upon changing economic conditions. In so  
24 far as their growth is dependent upon their  
25 lending ability, in some measure the extent and  
26 rate of their growth will depend upon the areas  
27 and type of loans needed which can most satisfactorily  
28 be met by local self help on a mutual basis.

29  
30 194. Two other aspects of credit union lending





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Two other aspects of credit union lending





1 practices should be commented upon:

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3 195. (1) The true rate charged by credit unions  
4 for loans is based on simple interest, it is  
5 widely known amongst the membership and there  
6 are no hidden charges. Having regard to many  
7 devices used in modern merchandising and con-  
8 sumer financing including car financing, to  
9 hide the real charges from the customer (such  
10 as the package deal and service charges and  
11 extended terms at the same monthly payment) and  
12 the tendency of the person of modest means to  
13 disregard the cost factor in purchasing or  
14 financing (as pointed out by Mr. Hood in his  
15 paper to the Gordon Commission, pages 181 and  
16 183), the credit unions so far as they are  
17 successful in their educational programs, have  
18 a useful service to perform in providing a  
19 measuring rod of reasonable charges.

20 196. Indirect help in solving Community problems

21 (2) In communities where the members of a  
22 particular occupational group (such as fisher-  
23 men in Prince Rupert, British Columbia, or  
24 farmers in Saskatchewan), have sought to solve  
25 other economic problems on a co-operative self  
26 help basis, the common fund may be directed in  
27 differing proportions and at different times  
28 to meeting the individual needs of the member  
29 or the collective needs of all the members in  
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1 this is safeguarded by the pooling of risk  
2 through a central organization. Inasmuch as  
3 these other co-operative institutions have  
4 demonstrated their ability to assist primary  
5 producers in particular to solve economic  
6 problems on a basis of self help, rather than  
7 government assistance, such credit unions have  
8 in this manner made an important indirect social  
9 contribution.

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11 197. Size of Loan

12 The various briefs and supplemental  
13 statistics submitted to the Commission or its  
14 research staff will indicate that the average size  
15 of loan in most credit unions is not very large.  
16 Actually the average size of loan, however, does  
17 not give the full picture. Were it possible to  
18 examine the median of loans and the mode of loans  
19 the loaning pattern of credit unions would be more  
20 meaningful. This is illustrated for one province,  
21 British Columbia, in its Survey Report at page 35  
22 (under the gray tab). Even the mode and the median  
23 would take on different patterns also if the figures  
24 could be broken down further into types of credit  
25 union. However, these figures are not available.

26 198. Term

27 The briefs of the various leagues show  
28 many loans to be for terms up to twenty-four months,  
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Division of Land  
and Survey

1938

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2 savings and the need for liquidity the repayment  
3 period is kept quite short. Loans generally are re-  
4 payable in semi monthly or monthly instalments.

5  
6 199. Methods of Evaluation

7 Standard methods of evaluating risks  
8 enter into the consideration of most credit unions  
9 in credit granting. However, in addition there are  
10 certain features of the credit union already herein-  
11 before discussed which permit the credit unions to  
12 give greater consideration to certain factors, e.g.  
13 character and the moral obligation to a group of  
14 which the borrower is a member and with which he  
15 has an identity of interest and to which he has  
16 a social obligation.

17 200. Credit Rationing

18 As previously indicated the criteria  
19 used for rationing credit at times when the demand  
20 of credit worthy borrowers exceeds the credit union  
21 resources is determined by the basic democratic  
22 principle of equality between members. In such cir-  
23 cumstances by practice (if not statutory or regula-  
24 tory obligation) preference is given to the small  
25 loan, so that as many members as possible can be  
26 accommodated. In some credit unions some respect  
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### 200. Social Obligation

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1       201. Directors' Loans

2               The position of directors as borrowers  
3       is not exceptionally significant. There being be-  
4       tween 30,000 to 40,000 voluntary officers of credit  
5       unions in the English speaking credit unions some  
6       fair proportion of the loans may be made to officers.  
7       However, in most provinces there are some special  
8       requirements to be fulfilled before loans can be  
9       made to directors. In all provinces (except where  
10      a credit officer is permitted) the credit committee  
11      is given necessary authority to authorize loans.  
12      That Committee is elected by the general meeting and  
13      its only obligation to the directors is to carry out  
14      the general loan policy laid down by the Board.

15  
16      202. Determination of loan policy

17              The credit committees of each credit  
18      union are responsible for the decisions of that  
19      credit union. Likewise the credit committee or  
20      authorized loan officer of each central type of  
21      organization has responsibility for that organiza-  
22      tion. Each body is autonomous in credit decisions.

23      203. Types of Security

24              In smaller credit unions the signature  
25      of the member either guaranteed by another person  
26      or alone often is the main security. Payroll  
27      deduction, life insurance equities and chattel mort-  
28      gages may also be taken. In larger credit unions  
29      where larger sums are more likely to be involved,  
30      and the element of a close common bond is not as  
    great, more conventional types of security, in-



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### 502. Determination of loan policy

The credit committee of each credit union are responsible for the decisions of that authorized loan officer of each central type of organization has responsibility for these decisions. Each body is autonomous in credit decisions.

### 503. Types of Security

In smaller credit unions the signatures of the member either guaranteed by another person or alone often is the main security. Payroll deduction, life insurance policies and chattel mortgages may also be taken. In larger credit unions where larger sums are more likely to be involved, and the element of a close common bond is not so





cluding bonds, securities and land mortgages are more frequently required. However, were it possible to analyse the types of security according to the type as well as the size of credit union, it is likely different patterns of security might be disclosed, just as differences in types of loans have been shown above.

204. Rates

Many credit unions charge the traditional (and mostly statutory) maximum rate of one per cent per month, rebating the surplus thus accruing after paying expenses, including modest interest on deposits and reasonable dividends on shares, by way of patronage refund to the borrower. Generally that patronage refund in such circumstances is at a rate of 15 per cent to 20 per cent of interest paid.

205. Many others have recognized that different types of loans and/or different kinds of security warrant a differential in interest rate, either because of reduced costs in handling the loan or reduced risk. Usually credit unions adopting different interest rates calculate the same in relation to annual operating revenue and expense, thus giving the borrower the benefit of his saving at the time, and do not therefore pay patronage dividends.

206. Being non-profit oriented and having certain advantages by virtue of social relation-



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ships amongst members in the risk factor, as might be expected credit unions generally are able to and do provide credit to their members at better rates than those charged by private profit oriented institutions. In recent years the chartered banks and some other financial institutions in the personal loan field have established rates close to the net credit union rates. However, these rates of other institutions are not generally comparable to credit union rates, because to really analyse and compare one would need to know the risk ratios undertaken by each institution with respect to each type of loan. For instance, a credit union rate of  $7\frac{1}{2}$  per cent on a first mortgage in an urban community would not necessarily be comparable to a first mortgage rate of  $7\frac{1}{2}$  per cent by a conventional mortgage company. There could be several reasons e.g. (1) the credit union rate includes the benefit of a group life insurance policy to protect the member's estate against payment of the outstanding balance (2) the credit union mortgage might be for 80-90 per cent of the appraised value (other factors than security of the land and premises being taken into account) (3) the credit union mortgage might be on an older type of house in a working class district. For similar reasons even the new bank rates on personal loans may not be comparable.

207. Comparison with others

The rates charged by credit union, subject to statutory limitations, aforesaid, are deter-



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(2) the credit union mortgage might be for 30-90 per cent of the appraised value (other factors than security of the land and premises being taken into account) (3) the credit union mortgage might be on an other type of house in a working class district.

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1 mined by the Board of Directors from time to time  
2 on the principles outlined above. To a certain  
3 extent they will be influenced by the rates which  
4 a credit union must pay for borrowed money (as an  
5 item of expense). They may also be influenced in  
6 those credit unions which charge several different  
7 rates by some of the same factors of cost and risk  
8 which determine rates for like types of credit by  
9 other institutions. Mainly, however, rates are  
10 fixed by the directors in accordance with two  
11 fundamental principles:

- 12 (a) equity between all members; and  
13 (b) a non-profit orientation.
- 14  
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- (a) equity between all members; and
- (b) a non-profit orientation.



VIII SHARES, DEPOSITS AND RESERVES

208. Shares vis-a-vis Deposits

Among the English speaking credit unions the predominant method of raising contributions to the common fund is by shares. The following schedule shows the relative position of shares vis-a-vis deposits in each province as at December 31st, 1960.

(In millions of dollars)

<u>Credit Unions</u>	<u>Shares</u>	<u>Deposits</u>
British Columbia	*90.0	4.0
Alberta	24.3	1.3
Saskatchewan	66.8	14.0
Manitoba	31.5	5.8
Ontario	140.7	10.7
Quebec	28.9	5.8
Nova Scotia	13.6	4.4

\*(The British Columbia figures includes 23.0 of endowment shares the net equity of the members therein being approximately 4.0. The influence of endowment shares in other provinces is relatively small.)

209. A more varied relationship between shares and deposits exists with respect to the central type organizations which at December 31st, 1960 showed the following relationship:



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VI. THE ENDOWMENT FUNDS

208. Shares via-a-via De

Among the English speaking credit unions the predominant method of raising contributions to the common fund is by shares. The following schedule shows the relative position of shares via-a-via deposits in each province as at December 31st, 1938. (In millions of dollars)

Credit Unions	Shares	Deposits
British Columbia	*90.0	4.0
Alberta	24.3	1.3
Manitoba	31.2	5.3
Ontario	140.7	10.7
Quebec	10.7	0.7
Atlantic Provinces	1.0	0.1

\*(The British Columbia figures include \$3.0 of endowment shares the net equity of the members therein being approximately 4.0. The influence of endowment shares in other provinces is

209. A more varied relationship between shares and deposits exists with respect to the central type organizations which at December 31st, 1938 showed the following relationship:





(In millions of dollars)

	<u>Shares</u>	<u>Deposits</u>
B. Central Cr. U.	1.1	9.6
Alberta Central Cr. U.	1.1	1.3
Saskatchewan Co-op Credit Society	12.6	7.5
Manitoba Co-op Cr. Society	.7	1.2
Ontario Credit U. League Central	2.5	3.2
Ontario Co-op Cr. Soc.	.6	5.2
Quebec Central	.32	.046
N.S.Cr. Union League	.24	*2.4

\*(Some of these are 3 to 5 year deposits)

210. As previously stated in discussing liquidity (see para. 121 above) share investment represents planned savings of members whereas deposits may represent interim savings or the saved portion of current income. There are several deterrents to the turn over of shares mainly because there are a number of incentives to members to leave them with the credit union, even to the extent of pledging them as security for loans. Deposit money, however, most frequently will be withdrawn over short periods, as required to meet immediate or short term obligations of the member, except for the residue which he is able to save. This residue is often transferred periodically by members into share account.

211. "Chequing" Deposits

To facilitate the withdrawal of money





1 by members to meet expenditures many credit  
2 unions permit withdrawal by negotiable order  
3 (sometimes referred to as "chequing"). This is  
4 permitted on the one hand as a convenience to the  
5 member, and on the other to encourage him to save  
6 as much as he can of his current income after  
7 meeting his expenses.

8  
9 212. Although in credit unions across  
10 Canada there is usually given the power to the  
11 directors to withhold withdrawal of deposits for  
12 thirty days and in some cases longer, those credit  
13 unions which use so-called "chequing" endeavour  
14 to assure sufficient immediate liquidity to ensure  
15 prompt acceptance of orders. Clearing privileges  
16 are facilitated by central type organizations  
17 undertaking part of the function and in exchange  
18 of cheques and government items with the chartered  
19 banks through arrangements with the Canadian  
20 Bankers' Association.

21 213. "Chequing" privileges are most extensively  
22 granted in Saskatchewan particularly in the rural  
23 areas. In other provinces it is less prevalent,  
24 although wherever employed, as indicated by the  
25 briefs filed, has resulted in greater convenience  
26 to members and increased savings. Whether by  
27 statutory regulations or by convention adopted  
28 by central type organizations, rules and standards  
29 of liquidity and ability to provide this type of  
30 service are generally applied. The extent of

by members to meet expenditures many credit unions permit withdrawal by negotiable order (sometimes referred to as "chequing"). This is permitted on the one hand as a convenience to the member, and on the other to encourage him to save as much as he can of his current income after meeting his expenses.

212. Although in credit unions across Canada there is usually given the power to the directors to withhold withdrawal of deposits for thirty days and in some cases longer, those credit unions which use so-called "chequing" endeavour to assure sufficient immediate liquidity to ensure prompt acceptance of orders. Clearing privileges are facilitated by central type organizations undertaking part of the function and in exchange of cheques and government items with the chartered banks. Bankers' Association.

213. "Chequing" privileges are most extensively granted in Saskatchewan particularly in the rural areas. In other provinces it is less prevalent, although wherever employed, as indicated by the briefs filed, has resulted in greater convenience to members and increased savings. Whether by statutory regulations or by convention adopted by central type organizations, rules and standards of liquidity and ability to provide this type of service are generally applied. The extent of





"chequing" in the several provinces is indicated in the following information supplied to the Commission in briefs or supplemental material.

Province	Approx. percentage of Credit Unions using chequing
B. C.	21%
Alta.	5%
Sask.	59%*
Man.	15%
Ont.	6%
Que.	Nil
N.S.	3%

\* Largely rural credit unions.

214. While the evidence indicates that almost universally the smaller credit unions are not permitted "chequing" services, it appears that the provision of "chequing" privileges does not entirely account for the existence of deposit accounts in English speaking credit unions.

#### 215. Exploration of Predominance of Shares

In view of the difference between interest rates and dividend rates, the only rational explanation is that members find deposit accounts a more convenient method of contribution to the common fund for short term money than share accounts. The fact that interest may be paid on minimum monthly or quarterly balances, rather than year end balances may be a contributing factor.

216. In the case of central type organizations



"chedning" in the several provinces is indicated in the following information supplied to the Commission in briefs or supplemental material.

Province	Approx. percentage of Credit Unions using chedning
B. C.	21%
Man.	15%
Ont.	6%
Que.	11%
N.S.	3%

\* Largely rural credit unions.

214. While the evidence indicates that almost

universally the smaller credit unions are not

mitted "chedning" services, it appears that the

provision of "chedning" privileges does not

entirely account for the existence of deposit

accounts in English speaking credit unions.

# 215. Explanation of Prevalence of Chedning

In view of the difference between interest

rates and dividend rates, the only rational explana-

tion is that members find deposit accounts a more

convenient method of contribution to the common

fund for which they have no other outlet.

The fact that interest may be paid on minimum

monthly or quarterly balances, rather than year

end balances may be a contributing factor.

In the case of central type organizations



1 the fact that deposits tend to exceed share invest-  
2 ments as shown above is most likely explained on  
3 three bases:

4 217.(a) because of distances between the  
5 central organizations and the credit unions  
6 (being spread throughout the province) primary  
7 "chequing" privileges are almost essential  
8

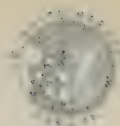
9 218.(b) much of the money placed with the  
10 centrals represent liquidity reserves or  
11 seasonal surpluses and must therefore be  
12 readily withdrawable if required for use  
13 by the credit union, and

14 219 (c) interest on deposits is payable on  
15 shorter periodical minimum balances.  
16

17 220. Variation in Rates

18 Up to the present time the credit  
19 unions appear to have done very little experi-  
20 menting with variations in deposit rates.

21 Generally the briefs indicate these ranges from  $1\frac{1}{2}$   
22 to  $2\frac{1}{2}$  per cent. One reason would appear to be that  
23 except for the convenience of the members through  
24 "chequing" and to encourage short term and residual  
25 saving, greater emphasis has been placed on shares  
26 than upon deposits in the English speaking credit  
27 unions. Interest on deposits is a fixed expense  
28 whereas dividends on shares are allotted only out of  
29 surplus.  
30



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217.(a) because of distances between the  
central organizations and the credit unions  
(being spread throughout the province) primarily  
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218.(b) much of the money placed with the  
centrals represent liquidity reserves or  
seasonal surpluses and must therefore be  
readily withdrawable if required for use  
by the credit union, and

219 (c) interest on deposits is payable on  
current savings) which is

220. VARIATIONS IN RATES

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unions appear to have done very little experi-  
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savings, greater emphasis has been placed on shares  
than upon deposits in the English speaking credit  
unions. Interest on deposits is a fixed expense  
whereas dividends on shares are allotted only out of  
surplus.





221. On the other hand deposit rates of  
centrals have varied generally in relation to the  
market (see for instance, Schedule 16 to the Brief  
filed by B. C. Central Credit Union and supplemental  
information submitted to the Commission by the  
Ontario Co-operative Credit Society dated April  
12, 1962). As indicated in several of the briefs  
and at hearings in relation to central type  
associations, deposit rates are sensitive, as are  
loan rates, to alternative opportunities for  
employment by the autonomous individual credit  
unions of their liquidity reserves and surplus  
funds. If the deposit rates are too far out of  
line, credit unions begin looking to the possibi-  
lity of making their own investments. The policy  
of the Ontario League Central appears to be a  
notable exception.

222. Types of Shares

Credit unions have only one type of  
share -- a common share. Shares may be redeemed  
or transferred subject to the rules of the credit  
union. In Saskatchewan there is a limit on share  
withdrawals related to the balance at the last  
year end. All credit unions have a right to with-  
hold withdrawal usually for 60 to 90 days and  
longer upon intervention of the Inspector, or in  
some instances upon further action by the directors.

223. Rate of Withdrawal

A breakdown by provinces (except Ontario)

223. Rate of Withdrawal

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filed by B. C. Central Credit Union and supplemental market (see for instance, Schedule 16 to the Brief central have varied generally in relation to the 221. On the other hand deposit rates of



1 of the rate of withdrawal of shares, representing  
2 the results of a recent questionnaire, has been  
3 answered by a large percentage of the credit unions  
4 at the request of Mr. Mercure. The statistics  
5 once again show an overall picture for each of  
6 the provinces answering. However, as illustrated  
7 with the breakdown of loans, above, it is likely  
8 if the figures could be further analysed there  
9 may not only be differences between credit unions of  
10 different size, but there may be significant  
11 differences between credit unions of different types.  
12 Time has not permitted such an analysis.  
13 (If possible, this will be tried for at least one  
14 province to seek to ascertain whether such differences  
15 in fact exist and if the results are obtained in time,  
16 they will be filed at the hearing).

17  
18 224. Rate of Dividend

19 The rate of return on shares is of  
20 course a dividend. Generally it ranges from 3 or  
21  $3\frac{1}{2}$  per cent to 4 or 5 per cent. In some provinces  
22 it is restricted by statute to 6 per cent, in Nova  
23 Scotia to 5 per cent. Obviously with a maximum  
24 charge of one per cent on loans, loans being the  
25 main employment of assets, and with allowance  
26 for patronage refunds (when the full rate is  
27 charged) it can never be excessive nor can it have  
28 the variation of rates that apply to a joint stock  
29 profit oriented company.  
30



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transmitted by a letter from the office of the  
at the request of Mr. Monro. The results  
once again show an overall picture for each of  
the provinces separately. However, as illustrated  
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charge of one per cent on loans, loans being the  
main employment of assets, and with allowance  
for patronage refunds (when the full rate is  
charged) it can never be excessive nor can it have  
the variation of rates that apply to a joint stock





1       225. Changes in Rate

2                       Consequently the rate of net growth  
3       of credit unions shares is not likely to be  
4       affected by substantial changes in the rate of  
5       dividend on those shares. There is some evidence  
6       that amongst persons with more than average  
7       savings in the credit unions there may be some  
8       effect on their willingness to continue to save  
9       or their tendency to withdraw resulting from more  
10      recent issues of parity bonds in some provinces  
11      and by the issue of Canada Savings Bonds. These  
12      yield a better return and have the advantage of  
13      immediate conversion putting them in direct  
14      competition with credit union savings through  
15      share investments.

16       226. Comparison with Quebec

17                      In the suggestions for briefs made by  
18      Mr. Mercure, the joint secretary, it was suggested that  
19      the briefs should bring out the reasons for and the  
20      significance of the fact that shares form a large  
21      part of the liabilities outside Quebec while the  
22      opposite is true in Quebec. This presumably refers  
23      to the caisses populaires in Quebec, for as shown  
24      above the credit unions in Quebec represented by  
25      the Quebec Credit Union League show the same  
26      disposition to share holding as is shown by the  
27      other provinces.

28  
29       227.           We have sought to set out above the  
30      reasons for shareholding predominance in the credit

Consequently the rate of net growth of credit union shares is not likely to be affected by substantial changes in the rate of dividend on those shares. There is some evidence that amongst persons with more than average savings in the credit unions there may be some effect on their willingness to continue to save or their tendency to withdraw resulting from more recent issues of partly bonds in some provinces and by the issue of Canada Savings Bonds. These yield a better return and have the advantage of immediate conversion putting them in direct competition with credit union savings through share investments.

226. Competition with Quebec

In the suggestions for briefs made by Mr. Metcalf, the joint secretary, it was suggested that the briefs should bring out the reasons for and the significance of the fact that shares form a large part of the liabilities outside Quebec while the opposite is true in Quebec. This presumably refers to the caisse populaires in Quebec, for as shown above the credit unions in Quebec represented by the Quebec Credit Union League show the same disposition to share holding as is shown by the



1 unions represented by NACCU. We can only  
2 assume with respect to the caisses populaires in  
3 Quebec that they have a different historical back-  
4 ground in this respect, and possibly legislative  
5 or regulatory provisions which have resulted in  
6 the much greater emphasis upon deposits.

7  
8 228. The results of that emphasis upon such  
9 matters as loan policies and practices and liquidity  
10 reserves, which may be matters affected by the  
11 practice, we leave to the Federation of Caisses  
12 Populaires to discuss with the Commission.

13 229. Share, Deposit and Loan Insurance

14 Mr. Mercure's suggestions included a  
15 proposed discussion of the present arrangements for  
16 share and deposit insurance with information rela-  
17 ting to the measure of security against loss  
18 enjoyed by depositors and shareholders and of the  
19 advantages and disadvantages of a system of deposit  
20 insurance.

21 230. The present share insurance (carried by  
22 nearly all credit unions) and deposit insurance  
23 (carried by some) is not designed to protect the  
24 member against loss. It is rather group insurance  
25 carried by each credit union on the outstanding  
26 balance of share investment, payable on the death  
27 (or in some cases permanent disability) of the  
28 members. The benefit is payable not to the credit  
29 union but to the estate of the deceased member.  
30

unions represented by NACCU. We can only assume with respect to the various populations in Quebec that they have a different historical background in this respect, and possibly legislative or regulatory provisions which have resulted in the much greater emphasis upon deposits.

228. The results of that emphasis upon such matters as loan policies and practices and liquidity reserves, which may be matters affected by the practice, we leave to the Federation of Caisses Populaires to discuss with the Commission.

#### 229. Share, Deposit and Loan Insurance

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1 The cost is in the neighbourhood of  $\frac{3}{4}$  of one per  
2 cent and is paid from the common fund so that it  
3 represents a benefit to all members. The limit of  
4 the benefit as to any one member is \$2,000. At the  
5 same time most credit unions carry an insurance  
6 coverage on the outstanding balance of all loans  
7 up to \$10,000. This is payable to the credit  
8 union and protects it from loss (or embarrassment  
9 of recovery) in the event of death (or in some  
10 cases permanent disability) of the member. It  
11 also however benefits the borrower's estate because  
12 when collected by the credit union it is applied  
13 to the outstanding obligation of the deceased.  
14 The cost again is borne out of the common fund for  
15 the benefit of all members. Both types of  
16 insurance are very attractive to persons of modest  
17 means. The existence of such insurance has  
18 certainly been one factor which has attracted  
19 members to credit unions.

20  
21 231. Deposit Loss Insurance

22 A system of share and deposit insurance  
23 to protect the member from loss, such as is  
24 applicable in the United States to certain savings  
25 banks and savings and loan associations is a  
26 different type of insurance against a different  
27 risk. This system is reviewed in the brief of  
28 Cuna filed with the Commission.

29 232. The advantage of that system to a  
30 depositor or investor is that he assumes none of



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231. Deposit Loss Insurance

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232. The advantage of that system to a depositor or investor is that he assumes none of



1 the risks of the enterprise. In our view it may  
2 be a suitable system for profit oriented savings  
3 institutions in which the investor or depositor  
4 has no democratic responsibility or privileges.  
5 It is not a suitable system to apply to credit  
6 unions, which as stated elsewhere in this brief  
7 are mutual enterprises really of the same nature  
8 as co-partners. Such deposit and/or share insur-  
9 ance has the inherent implication that the enter-  
10 prise is owned by another who is being compensated  
11 for taking the risks of the enterprise.

12 233. Further as pointed out in the CUNA  
13 brief, the history of losses by members of credit  
14 unions, does not warrant the expense of such an  
15 insurance system, were it otherwise deemed  
16 desirable.

17  
18 234. History of Losses

19 The loss ratio of members participa-  
20 ting in credit unions in Canada is remarkably  
21 low. British Columbia, Saskatchewan and Nova  
22 Scotia were able to report in their briefs that no  
23 member has suffered any loss upon the liquidation  
24 of a credit union in those provinces. Alberta  
25 reported that where liquidations have occurred  
26 the majority of members suffered no loss. Quebec  
27 shows a loss ratio of .015 per cent. Manitoba  
28 reported no losses to date although in one case  
29 10 per cent of the shareholders' money is still awaiting  
30 collection.



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1 235. Losses from the credit unions have  
2 been minimized, not only, we believe, because  
3 they have usually been soundly operated, but  
4 because of a high degree of voluntary cooperation  
5 between them through their Leagues and otherwise.  
6 The most recent development in this field has  
7 been the development of stabilization or mutual  
8 aid funds, which have in recent years been established  
9 in most of the provinces. The general principles  
10 and organization of these funds are described in  
11 Schedule 5 supra.

12  
13 236. Conclusion re Loss Insurance

14 Accordingly NACCU sees no advantage  
15 to the institution of a system of deposit and  
16 share insurance in Canada such as applies to savings  
17 banks and savings and loan companies in the U.S.A.  
18 Such a system would not only add an unnecessary  
19 expense but would tend to undermine and destroy  
20 the basis of democracy and voluntary cooperation  
21 which are the foundation of credit unions in Canada.

22 237. Reserve and Undivided Surplus

23 Mr. Mercure in his suggestion for briefs  
24 suggested that reserves and undivided surplus  
25 should be dealt with under the heading of  
26 earnings and expenses. Our position is that  
27 having regard to the mutual nature of a credit  
28 union (and its similarity to a co-partnership)  
29 reserves and undivided surplus are a liability of  
30 the credit union for which it is accountable to



235. Houses from the credit unions have been limited, not only, we believe, because they have usually been soundly operated, but because of a high degree of voluntary cooperation between them through their leagues and otherwise. The most recent development in this field has been the development of stabilization or mutual aid funds, which have in recent years been established in most of the provinces. The general principles and organization of these funds are described in Schedule 5 annex.

236. Conclusion re Loan Insurance

Accordingly WACU sees no advantage to the institution of a system of deposit and share insurance in Canada such as applies to savings banks and savings and loan companies in the U.S.A. Such a system would not only add an unnecessary expense but would tend to undermine and destroy the basis of democracy and voluntary cooperation which are the foundation of credit unions in Canada.

237. Reserve and Undivided Surplus

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1 the members. The credit union per se is not  
2 entitled to use for its own purposes any portion  
3 of the common fund or its earnings except as  
4 authorized by the "co-partners" through the rules  
5 (see detailed discussion of this relationship in  
6 Schedule 4 referred to supra).

7  
8 238. There are statutory reserves required  
9 by the legislation in every province. Generally  
10 they require a specific percentage of net earnings  
11 each year to be set aside (before payment of  
12 dividends) in a guarantee fund. This fund is a  
13 reserve against bad debts. As indicated in all  
14 of this brief the loss ratio of credit unions has  
15 been low. Consequently these reserve funds tend  
16 to accumulate. Some credit unions regarding the  
17 statutory percentage as an indication of a desir-  
18 able standard have set aside amounts exceeding the  
19 minimum amount required to provide a cushion of  
20 reserve, after allowing reasonable returns on  
21 shares and for patronage rebates. Some have reserves  
22 against other contingencies besides losses on in-  
23 vestments. Some also retain a portion of undivided  
24 surplus in reserve to safeguard the ability of the  
25 credit union to maintain reasonable interest and  
26 dividend rates. An examination of the year end  
27 financial statements, however, is in this regard  
28 deceptive, because dividends on shares and patron-  
29 age rebates are not declared until approved by the  
30 annual meeting (on recommendation of the directors).



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age rebates are not declared until approved by the  
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1 Such statements may thus show substantial sums as  
2 undivided surplus which shortly thereafter will  
3 be allotted to dividends and rebates.

4  
5 239. A careful detailed analysis of  
6 reserves was undertaken in the B.C. Credit Union  
7 Survey (see Report, Schedule 3, B.C. Credit Union  
8 League pages 47 to 56.) This may serve to  
9 illustrate to the Commission the adequacy of  
10 reserve positions of credit unions elsewhere in  
11 Canada where such a detailed analysis could not  
12 reasonably be undertaken for the purposes of this  
13 brief.

14 240. In the federal Co-operative Credit  
15 Associations Act (Sec. 51 subsections 4 and 5) and  
16 now in the B.C. act (1961 Sec. 34, a measuring rod  
17 of delinquency is provided, for the purpose of  
18 assuring that adequate reserves are provided.  
19 NACCU would suggest that possibly a similar  
20 measuring rod might be commended to the other pro-  
21 vincial legislatures. It is to be observed that  
22 in both of these acts where such a measuring rod  
23 is provided the necessity to keep the guarantee  
24 fund invested separately (a usual requirement in  
25 credit union acts) is not considered necessary.

26  
27 241. Recommendation re Reserves

28 Guarantee reserves are not distri-  
29 buted to the members but are applied to losses if  
30 and when they occur. They tend to be used up  
only upon liquidation. NACCU favors recommendation



Such statements may also contain substantial items and undivided surplus which shortly thereafter will be allotted to dividends and rebates.

239. A careful detailed analysis of reserves was undertaken in the B.C. Credit Union Survey (see Report, Schedule 3, B.C. Credit Union League pages 47 to 56.) This may serve to illustrate to the Commission the adequacy of reserve positions of credit unions elsewhere in Canada where such a detailed analysis could not reasonably be undertaken for the purposes of this brief.

240. In the federal Co-operative Credit Associations Act (Sec. 51 subsections 4 and 5) and now in the B.C. act (1961 Sec. 34, a measuring rod of delinquency is provided, for the purpose of assuring that adequate reserves are provided. NACU would suggest that possibly a similar measuring rod might be commended to the other provincial legislatures. It is to be observed that in both of these acts where such a measuring rod is provided the necessity to keep the guarantee fund invested separately (a usual requirement in credit union acts) is not considered necessary.

241. Recommendation re Reserves

Guarantee reserves are not distributed to the members but are applied to losses if and when they occur. They tend to be used up only upon liquidation. NACU favors recommendation



1 to provincial governments, that upon liquidation of  
2 a credit union, reserves and any remaining undivided  
3 surplus should be paid over to the provincial  
4 stabilization or mutual aid fund. A maximum  
5 dividend rate of 6 per cent (such as is now provided in  
6 some provinces) would prevent the dissipation of  
7 undivided earnings and reserves in anticipation  
8 of liquidation and permit a reasonable return on  
9 share contribution to the common fund. This  
10 should eliminate any doubt as to such reserves  
11 representing a profit or income of the credit  
12 union.



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IX RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

242. Banks

The briefs filed by the credit union leagues indicate that, except where some credit unions deal directly with the chartered banks or carry their own portfolio of investments in securities, they have very little relations with other financial institutions. The central type association, which generally deposits with the chartered banks, borrows therefrom, and carries out the clearing function for credit unions with "chequing" services, or performs some of these functions, do have relations with the bank. These relations have been expressed by the credit unions to be good; the only hesitation being with respect to clearing arrangements which some credit unions feel could be more equitable. This subject, however, is dealt with in the brief of CCCS.

243. There is evidence that in 1959, during the period of tight money, the policy of the Bank of Canada was communicated to some of the central type of credit unions by the chartered banks through curtailment of loans.

244. Brokers

The central type organizations, including CCCS, also have relationships with recognized brokers. This applies also to the relatively small number of credit unions which

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The central type organizations, including CCGS, also have relationships with recognized brokers. This applies also to the relatively small number of credit unions which



1 carry their own portfolios of investments of  
2 securities. Generally here the briefs express  
3 satisfaction in these relations and recognize  
4 the specialized services performed by brokers.

5  
6 245. Rate of Growth

7 Under the subject of growth of  
8 credit unions, paragraphs 25 to 64 supra, a  
9 full discussion is set forth as to the absolute  
10 and relative growth of credit unions and the  
11 reasons therefor.

12 The rate of growth of credit unions  
13 in the past ten to fifteen years has been re-  
14 latively constant. This rate of growth has been  
15 determined in part by similar reasons which have  
16 caused all savings types of organizations to  
17 grow. The constancy of the rate of growth,  
18 however, would appear to result from the con-  
19 stancy with which the credit unions have co-  
20 operated through the associations which they  
21 have created to extend credit union principles  
22 and activities and the constancy with which credit  
23 unions have adapted themselves to the needs  
24 of their respective local communities.

25 246. As previously indicated the central  
26 type organization is more sensitive to changing  
27 credit conditions in the monetary field than  
28 the individual credit union. The latter respond  
29 to different levels of employment. When employ-  
30 ment becomes insecure persons of modest means



carry their own portfolios of investments of securities. Generally here the briefs express satisfaction in these relations and recognize the specialized services performed by brokers.

245. Rate of Growth

Under the subject of growth of credit unions, paragraphs 25 to 24 supra, a full discussion is set forth as to the absolute and relative growth of credit unions and the reasons therefor.

The rate of growth of credit unions in the past ten to fifteen years has been relatively constant. This rate of growth has been determined in part by similar reasons which have caused all savings types of organizations to grow. The constancy of the rate of growth, however, would appear to result from the fact that the credit unions which they have created to extend credit union principles and activities and the constancy with which credit unions have adapted themselves to the needs of their respective local communities.

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*Nethercut & Young*

*Toronto, Ontario*

A.211

1 tend to preserve their savings and to restrict  
2 borrowing. When confidence in employment is  
3 felt by these people the credit union has taught  
4 them to continue to save and to borrow wisely  
5 and on a budgetary basis. Consequently in good  
6 times and bad, savings by members tend to grow.  
7 However, a part of the growth has been a steady  
8 influx of new members attracted no doubt by the  
9 increasing recognition of the value of credit  
10 unions, the experience of friends and educational  
11 and promotional programs -- as well as the funda-  
12 mental factors hereinbefore analysed.



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X EARNINGS, EXPENSES AND GUARANTEE RESERVES

247. Revenue and expenses generally

NACCU considers that there is little which it can submit in generalized terms with respect to earnings and expenses of credit unions, except that the principal source of revenue of all credit unions arises from loans to members, interest on bank accounts or deposits with Central type associations and dividends on share investments in these centrals. Those which have their own investment portfolios will also have income from such investments. A few may have rental incomes. On the expense side the general figures which will be disclosed in answer to Mr. Mercure's questionnaire based upon consolidated balance sheets will not be too meaningful because expenses vary considerably in relation to the size of credit union. In smaller credit unions wages may not even be a factor if a voluntary treasurer is employed. In some of the very large credit unions wages will be an important factor in expense.

248. Staff

Another influence on the expense side is that as credit unions attain different levels of growth new expense factors may become, pending further growth, disproportionate, e.g. the need to employ further staff before earnings entirely justify such expense or the purchase of



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Another influence on the expense side is that as credit unions attain different levels of growth new expense factors may become pending further growth, disproportionate, e.g. the need to employ further staff before earnings entirely justify such expense or the purchase of





new bookkeeping equipment.

249. Insurance

In those credit unions with deposit accounts interest will be a fixed expense. Those without deposits will not have this item. Almost universally the cost of group insurance covering shares and/or deposits and outstanding loan balances will be a constant item of expense (about 3/4ths of one per cent of the amount insured, determined on the basis of monthly balances).

250. Organization

One other common factor of expense applying to all credit unions are the consequence of their democratic type of organization (i.e.) the education of members and methods of keeping them informed, the training of staff, and the holding of membership meetings. In this same category will be found the expense of fees to provincial leagues which are applied to education, supervision, legislation and field work.

251. Expenses generally

The only general comments which can usefully be made as to expenses might be summarized as follows:

- (a) Generally expenses are maintained at as low a level as possible commensurate with efficient operation, as the credit



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1 unions must keep within their statutory  
2 limit of charges for loans and provide a  
3 reasonable return to members on shares and  
4 by way of patronage rebate.

5 (b) The expenses are free of any charges  
6 for directors' services and the services of  
7 committee members (except out of pocket).  
8 These services, which are extensive, are  
9 voluntarily contributed.

10 (c) The end purpose, after establishing  
11 sound reserves for the protection of the  
12 members' savings and as a guarantee against  
13 bad debts, is to provide the service at  
14 cost and the objective is to make the cost  
15 as reasonable as possible.

16 252. Guarantee Reserves

17 The subject of guarantee reserves  
18 has been dealt with elsewhere in this brief. As  
19 shown by the provincial briefs there is unanimity  
20 in provincial legislation in the setting up of  
21 minimum reserves for this purpose. Generally  
22 20 per cent of earnings before dividends is required  
23 to be set aside until 5 per cent or 10 per cent of  
24 assets has been accumulated. In British Columbia  
25 the aggregate of such reserves is related to balance  
26 loans outstanding and a special measuring rod of  
27 delinquency (similar to that in the Co-operative  
28 Credit Associations Act) is applied and may  
29 require greater reserves to be set aside in any  
30



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1 year where delinquency is considered excessive  
2 by that standard.

3  
4 253. Other Reserves

5 Some credit unions as a precautionary  
6 measure keep reserves in excess of statutory  
7 requirements or for other contingencies, despite  
8 very small loss ratios, to safeguard members'  
9 shares and deposits and to assure the payment of  
10 reasonable dividends even in a year of unexpected  
11 adversity.



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Year where delinquency is considered excessive

by the board

Section 215

Some credit rating is a possibility

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shares and deposits and to assure the payment of  
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losses

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XI CREDIT UNIONS IN RELATION TO MONETARY CONTROL

(AN ECONOMIC DISCUSSION)

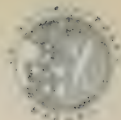
254. The capital market.

The local credit unions, the centrals and the national association (CCCS) form a small, but unique and growing, part of the capital market. The major organizations making up the capital market are called financial intermediaries, bank and non-bank. The non-bank intermediaries differ widely; some are captive (that is controlled by another type of organization), some are independent, some are profit oriented, some embody co-operative principles.

255. In recent decades a great deal of attention has been focused on financial institutions, and there has been an increasing awareness that the financial institutions in our system are crucial to a proper functioning of the non-financial as real parts of our economy.

256. The financial institutions operate to facilitate the satisfaction of consumers' wants with regard to both the supply of goods and the demand for goods. The vast majority of producers and consumers are intimately associated with financial institutions in their day to day activities.

257. A properly functioning capital market is essential to all our aims and objectives, as

THE CAPITAL MARKET IN THE UNITED STATES(AN ECONOMIC DISCUSSION)The Capital Market

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1 consumers and producers, as members of a society  
2 with aims and objectives, as members of an  
3 international community. The major social  
4 objectives appear to be maintaining employment  
5 at a reasonably full level, containing inflation,  
6 promoting economic growth and insuring a "fair"  
7 division of the comforts and necessities of  
8 life. The extent to which we, as individuals  
9 or groups or as a nation, can achieve our ends  
10 depends upon the efficiency of the capital  
11 market.

12  
13 258. The Price System

14 It is known, and has been generally  
15 accepted, that the price system is a reasonably  
16 efficient way, albeit not a perfect way, of  
17 administering the scarce resources of society.  
18 As an administrative device the price system has  
19 two major advantages over other administrative  
20 systems: (a) It costs relatively little to  
21 operate when functioning properly because it is  
22 relatively automatic, although depending largely  
23 on rational behavior and individual discipline.  
24 (b) It allows minorities to get what they want  
25 (at least to some extent) when their views do  
26 not coincide with those of the majority.

27 259. Like any administrative system,  
28 particularly a relatively automatic one, the  
29 price system has certain disadvantages: (a) It  
30 can misdirect (and thus misallocate resources)

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1 if it does not function properly. (b) It is  
2 unable to allow for exceptions to the general rules.  
3 (c) It can be warped by unscrupulous agents  
4 and powerful groups. (d) It gives at best  
5 little consideration to justice and other social  
6 and moral precepts.

7  
8 260. Credit Unions as part of the market.

9 It is our contention that the credit  
10 union movement is (a) an essential part of the  
11 capital market catering to demands not adequately  
12 handled by the price and profit system; (b) an  
13 institution which aids the functioning of the  
14 capital market and as presently conceived, with  
15 local, provincial and national associations  
16 assists the price system to perform its es-  
17 sential functions in the capital market, (c)  
18 an instrument which aids us to attain the major  
19 objectives of our society as set out in para-  
20 graph 257 above; (d) an organization which also  
21 has important social and non-economic functions  
22 and fully merits the support evidenced in the  
23 following: "Our experience with these co-  
24 operative financial institutions leads us to  
25 believe that there is a real role to be played  
26 by such institutions in practically all areas  
27 of finance. We recommend that the Federal  
28 government should recognize this development as  
29 a significant and desirable one. We suggest  
30 that this commission should recommend to the  
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that this commission should recommend to the

Federal Government that, by appropriate legis-





1       lation, it should encourage credit unions and  
2       other co-operative financial institutions."  
3       (The submission by the government of Saskatchewan  
4       to this Commission, paragraph 166, page 63.)

5       261.       We take it for granted that the  
6       automaticity of the price system is a valuable  
7       method of minimizing resources devoted to ad-  
8       ministration, and agree that it is important to  
9       allow these automatic forces to operate. Further,  
10      we accept the need for control and manipulation  
11      of the price system to overcome deficiencies  
12      in the way the price system would operate by itself.  
13

14      262.       However, to the extent that the  
15      credit union movement, within itself, is at-  
16      tempting to pursue aims not widely at variance  
17      with the major objectives of society, and has  
18      intrinsic values not found in commercial profit-  
19      oriented operations, we contend that it would be  
20      a mistake to put us in with other "non-bank  
21      financial institutions" as is so frequently done  
22      both in discussions and theoretical analysis.

23      263.       Specifically, we are aware that there  
24      is a view that the monetary authorities have  
25      difficulty implementing monetary policies in the  
26      face of a large uncontrolled non-bank financial  
27      sector. And while the theoretical arguments are  
28      contradictory and, in many cases obscure being  
29      frequently based upon non-Canadian experience,  
30



lation. It should encourage credit unions and other co-operative financial institutions." (The submission by the Government of Saskatchewan to this Commission, paragraph 166, page 63.)

261. We take it for granted that the automaticity of the price system is a valuable method of minimizing resources devoted to administration, and agree that it is important to allow these automatic forces to operate. Further, we accept the need for control and manipulation of the price system to overcome deficiencies in the way the price system would operate by itself.

262. However, to the extent that the credit union movement, within itself, is attempting to pursue aims not widely at variance with the major objectives of society, and has intrinsic values not found in commercial profit-oriented operations, we contend that it would be a mistake to put us in with other "non-bank financial institutions" as is so frequently done both in discussions and theoretical analysis.

263. Specifically, we are aware that there is a view that the monetary authorities have difficulty implementing monetary policies in the sector. And while the theoretical arguments are contradictory and, in many cases obscure being



1 we agree that this is the proper concern of  
2 government at this time and hope that this Com-  
3 mission will be able to do much to clarify the  
4 position. We have no doubt that the technical  
5 staff advising this Commission will give the  
6 problem of the relationship of monetary policy  
7 to financial institutions a very thorough  
8 scrutiny and, in its wisdom, it will use the  
9 results of this scrutiny in its deliberations.  
10 We are not going to expound a particular theory  
11 emphasizing or over-emphasizing particular  
12 relationships or aspects. We trust that the  
13 organization and functions of the credit union  
14 movement as described will allow the Commission to  
15 judge the validity of our contention that we  
16 should not be lumped together with other "non-  
17 bank financial" intermediaries merely for  
18 analytical convenience.

19 264. We therefore wish only to set out the  
20 way in which we now function, and hope to be allowed  
21 to function in the future, pointing out as we go  
22 along some of the reasons for our views that if there  
23 are minor difficulties in the way of effective mone-  
24 tary policy posed by our unique position these are  
25 not of such a magnitude as to outweigh the positive  
26 additions we make to the capital market, the im-  
27 portance of the major social objectives of our own  
28 policies, and in some cases, our acting in a manner  
29 which is actually stabilizing economic activity  
30 and an aid to monetary policy.



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1 265. "Lender of last resort"

2 The local credit union is most clearly  
3 outlined by discussing its formation and functions.  
4 By way of summary this might be shortly restated  
5 here. It arises to fill a felt need amongst a  
6 group with a common bond, and has an educative  
7 function from its very inception. It attempts to  
8 instil habits of thrift and to regularize savings,  
9 and normally stands as a source of funds in an  
10 emergency. Significantly, the early loans from  
11 credit unions tend to be for provident purposes  
12 (emergencies, medical expenses, consolidation of  
13 debts); in other words, at the beginning, a  
14 standard small loan operation. We see the functions  
15 at this stage of the credit union as largely pro-  
16 viding services and acting as an intermediary be-  
17 tween small savers and borrowers. There is no  
18 doubt from the experience of the credit unions  
19 that typical loans are small and short term at  
20 the beginning stage, and so are the savings,  
21 either as share purchases or deposits. Even at  
22 this emergent stage, however, three essential  
23 characteristics of the credit union movement  
24 appear clearly:

25 266. (a) Savings to borrowers. It has been sug-  
26 gested that if a borrower is aware of the  
27 charges and is still prepared to pay high  
28 interest rates the operation of the price  
29 system suggests that this is in some sense  
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266. (a) Savings to borrowers. It has been suggested that if a borrower is aware of the charges and is still prepared to pay high interest rates the operation of the price system suggests that this is in some sense



right." (This attitude is illustrated in Hood's study for the Gordon Commission, page 433). But the credit unions have always felt that under emergency conditions an individual has an almost perfectly inelastic demand curve in terms of interest charges. When this is true (as it is in the case of accidents, medical emergencies, threatened destruction of the means of livelihood, an over-powering feeling of hopelessness in the face of financial obligations) the desperation of the individual requires that some concept of justice come to the fore. It is too much to expect, nor is it clear that it is desirable, for profit oriented commercial institutions to consider justice in their price policies. Also, for many individuals in this state of mind, the suppliers are few in number and in a strong position to exploit the unhappy state of the individual borrower. Many cases can be cited from the experience of credit unions where the local union was in the position of a "lender of last resort" without charging the going market price for the loan. Significantly, the risk to the credit union because of the common bond is less than the risk to a small loan company. Because the credit union stands as a lender in emergencies, the existence of the credit union eliminates some of the precautionary reasons on the part of individual members for holding idle balances.



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1 This in turn allows the mobilization and  
2 activation of savings for productive purposes.  
3 In a more general sense the credit union at  
4 this time also provides competition in what  
5 is likely to be a non-competitive market  
6 situation.

7  
8 267. Knowledge

9 (b) As the credit union expands and  
10 strengthens and depending on the nature of the  
11 common bond, the pooling of precautionary  
12 balances allows additional types of loans.  
13 These can be interest saving for members  
14 (consumer loans, loans for the consolidation  
15 of debt, etc.) in which the credit union acts  
16 to save individuals from their own inability  
17 to calculate costs, or directly productive  
18 loans (home improvement loans, farm equipment  
19 loans, working capital loans for fishermen and  
20 farmers, appliance and tool loans, holiday  
21 loans, etc.). When these types of loans are  
22 made through the credit union, borrowers are made  
23 aware of the costs of funds. In other words,  
24 the charges for credit are not always known  
25 when other institutions are involved. There  
26 is not perfect knowledge in the market for  
27 small loans, and thus the price system cannot  
28 function properly. Borrowers are brought into  
29 relationship with the price of funds when they  
30 use the credit union, something that does not

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1 necessarily follow if they use some of the  
2 alternative sources of funds in the market. It  
3 bears repeating that a price system does not  
4 function properly if there is an absence of  
5 knowledge. Also, the internal administration  
6 of the credit union (local committees and local  
7 boards of directors) educates a group of  
8 ordinary savers and borrowers in the field of  
9 lending and borrowing; these people must learn  
10 about interest rates, alternative sources of  
11 funds, alternative rates of return -- in other  
12 words, all those things which are necessary if  
13 the price system is to function.

14 268. Mobility

15 (c) For some time the sole function of the  
16 credit union is to look after the short term  
17 needs of members, but as the saving habit  
18 develops, as regular budgeting grows, as the  
19 pooling of resources for self help eliminates  
20 the more pressing needs, funds begin to be  
21 directed according to the productivity of  
22 investments as indicated by rates of return.  
23 At this stage an element of sophistication  
24 enters into the practice of the institution  
25 in selecting outlets for funds.

26  
27 269. However, it is admitted, that there is  
28 no great mobility of funds outside the member-  
29 ship to accord with market forces. The lack of a  
30 full-fledged profit motive, the fact that



necessarily follow if they use some of the  
 alternative sources of funds in the market. It  
 bears repeating that a price system does not  
 function properly if there is an absence of  
 knowledge. Also, the internal administration  
 of the credit union (local committees and local  
 boards of directors) educates a group of  
 ordinary savers and borrowers in the field of  
 lending and borrowing; these people must learn  
 about interest rates, alternative sources of  
 funds, alternative rates of return -- in other  
 words, all those things which are necessary if  
 the price system is to function.

### 223. Mobility

(c) For some time the sole function of the  
 credit union is to look after the short term  
 needs of members, but as the saving habit  
 develops, as regular budgeting grows, as the  
 pooling of resources for self help eliminates  
 the more pressing needs, funds begin to be  
 directed according to the productivity of  
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 At this stage an element of sophistication  
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1 the people who save are unsophisticated and  
2 their savings small (the credit union is in many  
3 cases the sole means of saving), the practice  
4 of looking after the members' needs first, --  
5 these are reasons for feeling that there will  
6 be aberrations from a profit oriented fully  
7 functioning price system. The market for loans  
8 is highly local and insulated. there is little  
9 knowledge on the part of the savers of the wider  
10 market, nor is there any attempt to put the  
11 funds to their most productive uses (as shown  
12 by the rates of return) outside the membership.  
13 But our contention is threefold:

14 270. (i) The volume of saving is greater than  
15 it otherwise would be, and therefore any  
16 small amount of misallocation of funds  
17 according to some ideal price theory is at  
18 least partially offset by a greater amount  
19 of savings available and used.

20  
21 271. (ii) An essential service is performed by  
22 bringing borrowers who are in need of funds  
23 into relationship with suppliers of funds  
24 who otherwise might not be suppliers or who  
25 might not otherwise be in communication  
26 with the market at all. (We feel this  
27 information aspect of the credit union is  
28 very important).

29 272. (d) An institution, the credit union, has  
30 been created which, not being profit oriented



February 11, 1934

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(3) An institution, the credit union, has  
been created which, not being profit oriented,



1 and being based on self help and common  
2 interests, introduces at one time a non-  
3 charitable organization for giving assistance,  
4 an educational and social organization which  
5 because it increases the cohesion of the group,  
6 reduces risks attached to loans (a form of  
7 internal economy) and which has as a purpose  
8 the mobilization of all inactive or available  
9 funds surplus to the needs of some individuals  
10 to assist other individuals and to increase the  
11 productive capacity of the area or region  
12 within which the common bond operates (thus  
13 creating further economies).

14  
15 273. Related to the Market

16 As the credit union grows the deviations  
17 from some theoretical optimum as a result of the  
18 lack of mobility of funds could conceivably be more  
19 serious. But the further development of the credit  
20 union begins to lead to an increase in the mobility  
21 of funds and an integration with other institutions  
22 in the market. These things take the following forms:

23 274. (a) Borrowing from the chartered banking  
24 system, thus withdrawing funds from the  
25 organized capital market via the bank. In  
26 this case the desirability of the activities  
27 of the credit union vis-a-vis the organized  
28 capital market must be considered by the  
29 bank. If the credit union cannot pay a suf-  
30 ficient price, the funds will be used elsewhere.



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1 275. (b) The expansion of the type of loans,  
2 e.g. longer maturity loans, loans in many  
3 cases not closely related to immediate con-  
4 sumption etc.

5 276. (c) The development of a seasonal surplus  
6 for investment in liquid assets.  
7

8 277. So far we have neglected liquid  
9 reserves. Essentially the liquid reserve require-  
10 ments (or practices) give rise to an integration  
11 with the capital market at an earlier stage. It  
12 has been shown in evidence that credit unions hold  
13 large liquid balances in the form of deposits and  
14 government securities. In some cases these re-  
15 serves are laid down by statute to protect share-  
16 holders and depositors but in any event the credit  
17 unions would hold reserves. (This is similar to  
18 the banks: "Banks would hold liquidity reserves  
19 even without legal compulsion," Alhadeff, D.A., "Credit  
20 Controls and Financial Intermediaries", American  
21 Economic Review, page 655). In most cases,  
22 liquidity reserves do earn a return, and at the  
23 margin it is possible that some consideration of  
24 whether to use deposits for additional reserves,  
25 say in the form of government bonds, or for further  
26 loans to members, is not independent of the com-  
27 parable rates of return. In other words, con-  
28 sciously or unconsciously price considerations on  
29 alternatives may become effective at the margin in  
30 rationing loans to members.



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1 278. The development of surplus funds and  
2 the high proportion of liquid reserves gave rise  
3 to a further development of the credit union move-  
4 ment, namely, central credit unions. These were  
5 organized to carry the credit union principles to  
6 a higher level -- a union of unions as it were.  
7 However, in the formation of centrals the local credit  
8 unions did not give up their autonomy. It appears  
9 necessary to discuss one particular aspect of the  
10 organization of centrals which bears upon the uses  
11 of funds according to relative prices.

12  
13 279. It was contended above that the large  
14 liquidity reserves tend to reduce the extent to  
15 which local credit unions are insulated from the im-  
16 pact of price changes in organized capital market.  
17 It may be of interest to expand on this subject.

18 280. Consider a credit union with surplus funds  
19 from deposits or shares. How will it use these funds?  
20 If the demands for loans of existing types are satisfac-  
21 fied, the credit union has the alternatives of  
22 lending outside its membership by buying bonds, etc.,  
23 or of trying to expand loans to its own members. In  
24 many cases through more intensive study of members'  
25 needs, a latent demand for loans can be uncovered,  
26 but if this is not possible there are some reasons  
27 to believe that for some time such surplus funds may  
28 go into bonds. First, the democratic rights of  
29 members likely means that there will be a large in-  
30 crease in demands if any new type of loan is



278. The development of surplus funds and the high proportion of liquid reserves gave rise to a further development of the credit union movement, namely, central credit unions. These were organized to carry the credit union principles to a higher level -- a union of unions as it were.

However, in the formation of central the local credit unions did not give up their autonomy. It appears necessary to discuss one particular aspect of the organization of central which bears upon the use of funds according to relative prices.

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1 introduced. If the surplus funds are seasonal, or  
2 for any reason non-permanent, the credit union would  
3 not be able to sustain a general change in its  
4 lending policy, and would be forced to ration very  
5 drastically any new type of loan introduced. The  
6 social relationships in the credit union make it  
7 difficult, except with exceptional management, to  
8 introduce and cut off new types of loans or to be  
9 extremely selective in making loans. We may there-  
10 fore conclude that in times of surplus funds, at  
11 least in the short run, these are likely to go into  
12 outside holdings (through centrals, the banking  
13 system or into government bonds). Second, the  
14 level of interest rates on government bonds may  
15 affect the substitution of loans to members for  
16 bonds. Thus we would not expect these temporary  
17 holdings of bonds to be immediately shifted to loans  
18 to members when the interest rate on bonds is high  
19 (for example, during a period of tight money) but  
20 would expect borrowers to be more actively courted  
21 when the interest rate on bonds is low (for example,  
22 during a period of easy money). Thus the lending  
23 practices are likely to respond in any appropriate  
24 fashion to monetary policy as reflected in interest  
25 rates. We do not, however, suggest that this sub-  
26 stitution effect is likely to be more than minor,  
27 and is more likely to be an unconscious result  
28 rather than a deliberate policy. Further, the market  
29 value of liquidity reserves is certain to be affected  
30 by monetary policies which are reflected in changed  
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1 of liquidity reserves tend to have a normal or  
2 statutory relationship, loans respond to monetary  
3 policy in an appropriate fashion. This effect is  
4 also likely to be minor in the case of individual  
5 credit unions because of the short term nature of  
6 liquidity holdings. But both of these effects  
7 mean that lending by credit unions at the margin  
8 responds in the appropriate way to monetary policy.

9  
10 281. In times of excess demand for loans  
11 from the credit unions, the rate of return on bonds  
12 and on the liquidity reserve may be below what the  
13 funds would earn in their alternative uses within  
14 the membership, but the need for liquidity prevents  
15 the funds being used in their most productive uses  
16 as shown by the rates which borrowers are willing  
17 to pay.

18 282. Under these circumstances the credit  
19 unions have been anxious to put their regular liquidity  
20 reserves as well as any seasonal surplus or non-  
21 recurring increase in funds available to the best  
22 use. The unsophisticated nature of credit union  
23 management and the statutory limitations make it  
24 difficult when maintaining liquidity to make the  
25 best use of these funds as shown by the rates of  
26 return.

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28 283. The centrals are important in this  
29 respect. They ensure liquidity by pooling the liquid  
30 balances and bring the excess funds thus made avail-



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1 able into relationship with borrowers who are pre-  
2 pared to pay better rates of return (presumably be-  
3 cause the productivity of the funds will be higher)  
4 then the individual credit union can get on bonds  
5 or chartered bank deposits.

6 284. The additional liquidity provided by  
7 pooling individual reserves need no elaboration.  
8 Suffice it to say that the amount of funds that must  
9 be tied up to ensure liquidity can be sharply reduced  
10 and the proportion of the holdings which can be put  
11 to productive uses (including meeting more pressing  
12 needs) is much greater with a corresponding increase  
13 in the general productivity of the funds.  
14

15 285. The common bond and the democratic control  
16 of the centrals by the local credit unions again  
17 reduces the risk to the lender, and the risk of  
18 lending to a credit union is less for the central  
19 than for outsiders.

20 286. The centrals thus funnel seasonal surplus  
21 funds and unused portions of its liquid reserves  
22 from one credit union to another, from one co-operative  
23 group to another while protecting the liquidity of all.  
24

25 287. The response of centrals

26 The centrals, however, are much more  
27 responsive to activities in the organized capital  
28 market than the credit unions. Some of the reasons  
29 have been outlined in the brief of the British  
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1 "Central's rates of interest are more sensi-  
2 tive to changes in the bank rate and the  
3 market rate on short term government securities  
4 than are the rates of its member credit  
5 unions. There are several reasons for this  
6 which might be mentioned:

7 (a) Deposit of liquidity reserves in  
8 central is voluntary. Consequently, at  
9 any time its member credit unions may  
10 elect to invest surplus funds or liquidity  
11 reserves in treasury notes or government  
12 bonds (security guaranteed) or, alternative-  
13 ly to deposit them in the bank;

14 (b) credit unions for the same reason  
15 are free to borrow from the bank and they  
16 may do so if Central's prime loaning  
17 rate is too far out of line with the  
18 equivalent rates of the bank;

19 (c) central, because of its required  
20 liquidity reserves (by statute) and its  
21 responsibility to maintain the liquid  
22 position of credit unions in the pro-  
23 vince (by virtue of its right to be a  
24 depository for the liquidity reserves),  
25 is bound to keep its loans and invest-  
26 ments on a short term basis. Although  
27 it is a non-profit organization -- it must  
28 meet its operating expenses and pay  
29 reasonably current rates on its  
30 deposit moneys and dividends on its  
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" obtain from a narrow margin between  
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own lending rates and between current  
interest rates on short term investments  
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288. But there are additional reasons for  
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the organized capital market:

(a) Information. The central is a clearing  
house for sources of and needs for funds.  
It thus brings borrowers and lenders together  
and increases the mobility of funds and increases  
knowledge of opportunities.

(b) Membership. The numbers, groups and areas  
are large, and, whereas it is a timeworn  
criticism of the credit unions that they restrict  
the use of funds to those with a common bond,  
the common bond of the central is almost ubiqui-  
tous. In other words, the restriction on the  
flow of funds is greatly reduced by a multiplicity  
of common bonds brought together to form another  
bond in the central.

(c) The possible immobility resulting from  
the co-operative tie within the central vis-a-  
vis the organized capital market is reduced  
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The local credit union can always put seasonal  
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1           The centrals thus have to set rates competitive  
2           with the organized capital market in both  
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5       289.       Professor Hood (in Financing Economic  
6       Activity in Canada, pages 29-31) has set out factors  
7       which enhance the effectiveness of the price system  
8       in the capital market. He distinguishes a number  
9       of major conditions for efficiency three of which  
10       are (a) Liquidity: this is largely a matter of  
11       information and the ability of those with illiquid  
12       assets to borrow against them. The centrals improve  
13       the operation of the credit unions on both counts.  
14       (b) The willingness to shift funds in response to  
15       price changes. Within the credit union movement  
16       the lack of mobility has been a serious criticism.  
17       It has been argued that the market directs where the  
18       funds should go and the members shall only obtain  
19       the use of the funds if they are prepared to meet  
20       the market price. The centrals go a long way to-  
21       wards eliminating this cause of criticism without  
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23       union that the members should help each other. The  
24       autonomy of the local credit union protects the  
25       basic creed of helping each other, the centrals  
26       stimulate the shifting of any funds surplus to  
27       these credit unions. (c) Absence of barriers: the  
28       centrals help to break down compartmentalization of  
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289. Professor Hood (In Financial Economics Activity in Canada, pages 29-31) has set out factors which enhance the effectiveness of the price system in the capital market. He distinguishes a number of major conditions for efficiency three of which are (a) Liquidity: this is largely a matter of information and the ability of those with illiquid assets to borrow against them. The central banks improve the operation of the credit unions on both counts. (b) The willingness to shift funds in response to price changes. Within the credit union movement the lack of mobility has been a serious criticism. It has been argued that the market directors where the funds should go and the members shall only obtain the use of the funds if they are prepared to meet the market price. The central banks go a long way towards eliminating this cause of criticism without infringing on the basic philosophy of the credit union that the members should help each other. The autonomy of the local credit union protects the basic creed of helping each other, the central banks stimulate the shifting of any funds surplus to these credit unions. (c) Absence of barriers: the central banks help to break down compartmentalization of the flow of funds, bring their prices into relationship with a number of other prices and





1 through pooling required liquidity reserves, eliminate  
2 some of the barriers imposed by legal requirements  
3 to maintain liquidity. Further, the types of loans  
4 granted are frequently those which are not adequately  
5 catered to by other institutions, and the market  
6 is thereby rendered more perfect.

7 290. Comments on Contractual Savings

8 One of the imperfections in the way of  
9 a smoothly functioning capital market, according to  
10 recent studies, is the growing importance of con-  
11 tractual savings. These contractual savings are  
12 not infrequently in the form of package deals which  
13 freeze for the individual the allocation of savings,  
14 and further, are of such complexity that many  
15 individuals are unaware of the rates of return, the  
16 amount saved, and so forth. Also, many individuals  
17 of low and moderate incomes consider only a limited  
18 range of assets. We feel that the local credit union  
19 does much to overcome these imperfections. As a  
20 saving institution all returns are reflected in  
21 members' dividends, interest rates and patronage  
22 dividends. From the pool of savings a wider range  
23 of investment opportunities are opened up than for  
24 any of the individual savers working on his own.  
25 The nature of control (through committees of members,  
26 boards of directors and educational committees) does  
27 allow individual savers to learn about rates of  
28 return and the uses to which savings are put. The  
29 development of centrals has aided the process of  
30 asset selection. We feel that the way in which the



through pooling required liquidity reserves, eliminate some of the barriers imposed by legal requirements to maintain liquidity. Further, the types of loans granted are frequently those which are not adequately catered to by other institutions, and the market is thereby rendered more perfect.

THE CHICAGO CREDIT UNION

One of the imperfections in the way of a smoothly functioning capital market, according to recent studies, is the growing importance of contractual savings. These contractual savings are not infrequently in the form of package deals which freeze for the individual the allocation of savings, and further, are of such complexity that many individuals are unaware of the rates of return, the amount saved, and so forth. Also, many individuals of low and moderate incomes consider only a limited range of assets. We feel that the local credit union does much to overcome these imperfections. As a saving institution all returns are reflected in members' dividends, interest rates and patronage dividends. From the pool of savings a wider range of investment opportunities are opened up than for any of the individual savers working on his own. The nature of control (through committees of members, boards of directors and educational committees) does allow individual savers to learn about rates of return and the uses to which savings are put. The development of centralia has aided the process of asset selection. We feel that the way in which the

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1 credit union movement operates removes some of the  
2 weaknesses of the capital market as sketched by  
3 Hood in his study for the Gordon Commission (page  
4 433-4) and that the further development of the move-  
5 ment will increase the efficiency of the capital  
6 market.

7  
8 291. Local bond issues

9 The pooling of resources in credit  
10 unions and centrals and the resulting increase in  
11 the abilities of these organizations to buy less  
12 liquid issues in itself increases the liquidity  
13 of many of these issues. Of particular importance  
14 here is the local knowledge found in the credit  
15 unions. An examination of the portfolio of the  
16 British Columbia central (schedule 17 of their  
17 brief of this Commission) will indicate the number  
18 of local or not widely traded issues that are  
19 handled. The association of central with locals,  
20 the common bond of locals and the democratic  
21 controls characterizing the organizations give rise  
22 to knowledge about local issues (particularly school-  
23 board issues, church issues, junior government  
24 issues and small cooperative undertakings) which re-  
25 duce risks and make for an expanded market for these  
26 not easily marketed issues. In view of the comments  
27 by Hood in his study (pages 436-37) we think these  
28 developments are particularly important when it is  
29 remembered that the minimum size of many issues  
30 puts them beyond the ownership of many individual  
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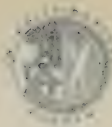




1 unions (by a deposit of any amount and shares of  
2 small individual price) allows many small savers  
3 to take a "piece" of a local issue when the  
4 minimum size would otherwise put the issue beyond  
5 the means of many of the individual savers. Centrals,  
6 by pooling risks and thus eliminating many of them,  
7 increase the market for many issues just as the  
8 local credit union, by pooling risks, allows local  
9 citizens to buy local issues they would not other-  
10 wise be prepared to buy. The more integrated and  
11 embractive the credit union movement is the more  
12 important are these considerations.

13 292. Complementary to profit oriented businesses

14 It is generally admitted that the capital  
15 market as presently organized does not cater in a  
16 satisfactory way to the needs of financing certain  
17 groups of activities. In many cases the government  
18 has stepped in to guarantee or otherwise assist in  
19 financing, in other cases the government has been  
20 asked to do something to improve the situation.  
21 The former Governor of the Bank of Canada has  
22 exhorted the banking system to look after certain  
23 needs. "The first call on the resources of the  
24 national branch banking system must, I think, be  
25 to fill the credit worthy needs for banking accommodation  
26 of small businesses, institutions, farmers and  
27 individuals -- including a reasonable level of loans  
28 for housing -- in all the various localities across  
29 Canada". (Annual Report, 1957, p. 21). He had also  
30 suggested that "in rationing loans in the face of



unions (by a deposit of any amount and others of small individual price) allows many small savers to take a "piece" of a local issue when the minimum size would otherwise put the issue beyond the means of many of the individual savers. Centralized by pooling risks and thus eliminating many of them, increase the market for many issues just as the local credit union, by pooling risks, allows local citizens to buy local issues they would not otherwise be prepared to buy. The more integrated and embracing the credit union movement is the more important are these considerations.

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1 excessive total demand they should limit the rationing  
2 process to the field of large loans". It is of some  
3 significance that types of loans of special govern-  
4 ment concern have not been restricted in periods of  
5 tight money. It is well to remind people that many  
6 of these types of loans (e.g. loans to farmers and  
7 fishermen) have long been important areas of credit  
8 union activities and that another group (loans for  
9 purchase and improvement of homes) has been an in-  
10 creasing part of credit union loans. Further, one  
11 group of borrowers for home purchase and improve-  
12 ment, rural people and people in small towns, are  
13 frequently left out by the organized capital  
14 market except for credit unions and government  
15 guaranteed operations. We think it is naive, if  
16 not actually wrong, to expect profit oriented  
17 institutions (such as the banking system) to  
18 ration its supply of funds by some other considera-  
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20 tion than effective rates of return. Undoubtedly  
21 the first call on the resources of the banking  
22 system if the management is to look after the  
23 interests of depositors and shareholders is for  
24 loans with the highest rate of return (taking into  
25 account future business). It appears to us that  
26 the Governor of the Bank of Canada was suggesting  
27 that a profit oriented organization should not  
28 orient itself towards profit. Whatever the rationale  
29 of this suggestion, we do not believe that it accords  
30 with the doctrine of the optimum use of funds in





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1 profit oriented, freely functioning price directed  
2 capital market. . We would like to point out that  
3 those activities which the Governor of the Bank of  
4 Canada suggests should not be rationed in a period  
5 of tight money are the activities which we attempt  
6 to finance to the extent of our ability.

7  
8 293. We would like to point out too that many  
9 activities which the Government has found it  
10 necessary to assist by guarantees and special loans  
11 were financed for many years by the credit union  
12 movement without government guarantees. The credit  
13 union movement was able to give considerable help  
14 to these activities precisely because it was a credit  
15 union movement -- a movement with a philosophy of  
16 self help and mutual aid.

17 294. There is another facet of the credit union  
18 movement which is worth commenting on, "By its  
19 nature monetary policy must be directed towards the  
20 condition of the economy as a whole. Discussion of  
21 the position of certain economic regions has given  
22 rise to the suggestion that monetary policy should  
23 not be the same throughout the country but should  
24 be modified in some way to the advantage of those  
25 regions which were not showing the same degree of  
26 economic growth as others. It is not possible for  
27 monetary policy to operate differentially under  
28 our present statutes and banking arrangements, and  
29 a major change would be necessary before it could  
30 do so ....Some kind of control would have to



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1 be established to compel funds to be invested in,  
2 and to be transferred to, and to prevent funds from  
3 moving freely out of, a region where interest rates  
4 were being held down (as has been advocated) as  
5 compared with other regions where interest rates  
6 were permitted to rise under the influence of  
7 demand" (Annual Report of the Governor of the Bank  
8 of Canada, 1957, pages 19-20). Mr. Coyne went on  
9 to say that this would involve major interference  
10 with the freedom of decision of banks and investors.  
11 In this connection we would like to point out that  
12 credit unions have been criticized for doing just  
13 what is here suggested as desirable (but impossible)  
14 by the decision of the investors. The criticism  
15 that credit unions do not direct funds according  
16 to rates of interest ruling in the market but look  
17 after the needs of members first is just the sort  
18 of free decision by investors which permits funds  
19 from leaving a depressed area. We would like to  
20 think that aspect of credit union practice would  
21 have relevance for monetary policy should it be  
22 necessary to restrict credit in the future. We  
23 can assure the Commission that should the monetary  
24 authorities wish to experiment with differential  
25 credit restrictions by utilizing the immobility  
26 of funds in local credit unions in chronically  
27 depressed regions, we would welcome such a policy  
28 and cooperate in every way.

29 295. It thus appears that credit unions are an  
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2 happy to expand these activities provided that the  
3 liquidity of credit unions can be protected. The  
4 protection of credit union liquidity provided by  
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6 our continued growth in these areas.

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8 296. Increased Savings

9 The former Governor of the Bank of  
10 Canada has argued with some force that increased  
11 savings would be desirable in Canada. (See his  
12 Annual Report for 1957, page 11). We would again  
13 urge that the activities of the credit unions  
14 stimulate savings of those very groups which are  
15 usually not considered affected by interest changes.  
16 The supply of savings of people of moderate means  
17 is not likely to be responsive to higher interest  
18 rates nor, do we feel, are they likely to increase  
19 as a result of national exhortation. In the region  
20 of the "common bond" and philosophy we feel that  
21 our educational activities and democratic practices  
22 (and the innovations we have introduced with respect  
23 to policies and practices) are the best method of  
24 stimulating savings.

25 297. There appears to be a view that each  
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27 liquidity. It would seem reasonable also to infer  
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5 differently, the notion is that the proliferation  
6 and growth of financial intermediaries increase the  
7 demands for bonds, which makes money more available  
8 and stimulates spending for current output even  
9 though the banking system is tightly controlled."  
10 (J. G. Gurley, "The Radcliffe Report and Evidence,"  
11 American Economic Review, page 672, et seq.) We  
12 believe that this matter is important enough to  
13 merit serious study and would like to make a few  
14 comments about the development of financial institu-  
15 tions in the capital market.

16  
17 298. Open Market Operations

18 It goes without saying that the success  
19 of open market operations (apparently the major  
20 instrument of monetary control in Canada) depends  
21 upon the efficient working of the capital market.  
22 But there are two aspects; the development of the  
23 capital market and changes in the quantity of money,  
24 which should be kept separate. First, the capital  
25 market is a highly dynamic organism, growing and  
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1 perform the function of more liquid claims and  
2 reshuffling of claims through the system could  
3 release idle cash balances for use. It is in this  
4 sense that the perfection of the capital market  
5 and the development of new types of issues and  
6 institutions allows a greater volume of transactions  
7 to be financed on the same money base. "Near money"  
8 is brought into being to substitute for money and  
9 a whole range of more or less liquid assets are  
10 created to facilitate transactions. In other words,  
11 independently of changes in the quantity of money,  
12 an additional volume of transactions can be financed  
13 as the capital market expands, develops and becomes  
14 more efficient in using the scarce factor of perfect  
15 liquidity and parity (money). We think these  
16 developments in the capital market are desirable  
17 even though they may pose certain problems for  
18 monetary policy in the short run. For the sake of  
19 this discussion we would like to call a system in  
20 which asset shifting and creating of this sort will  
21 take place one that is characterized by "excess  
22 liquidity". In other words, we would like to focus  
23 attention on the fact that it takes time for the  
24 capital market to approach the point where all the  
25 shifting of assets and liabilities, all the in-  
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1 analogous to the time required for a banking  
2 system to become fully loaned up after having an  
3 increase in its cash reserves.) Secondly, in the  
4 operations of the capital market, the scarce  
5 resource (money) is itself subject to change.  
6 Many of the developments which follow the growth,  
7 integration and structural shifts of the capital  
8 market are similar to the developments which would  
9 follow a change in the quantity of money itself  
10 because the increased efficiency of the capital  
11 market allows the same amount of money to go  
12 further.

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14 299. We think it important to keep these  
15 two aspects of the capital market separate. Just  
16 as changing the reserve requirements of a banking  
17 system with excess reserves is not likely to be  
18 completely effective, so attempting to control the  
19 volume of transactions in a system with what we  
20 have called "excess liquidity" is not likely to be  
21 easy. We would argue that our traditional methods  
22 of monetary control are not likely to work with  
23 maximum effectiveness unless the "excess liquidity"  
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26 develop towards its limits so that the traditional  
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300. We understand the findings of the Radcliffe Committee to mean that, in a period where new institutions and securities have been developing, control of the supply of money has not been extremely effective. (This impression of the findings of the Radcliffe Committee is similar to the arguments in the following: Gurley, J.G., "The Radcliffe Report and Evidence," American Economic Review, Neufeld, E.P., "Implications of the Radcliffe Report for Canada", C.J.E.P.S., August, 1960. Kareken, J., "Some Observations of the Radcliffe Report", Journal of Finance, December, 1960.) And we think that the justification for attacking "the liquidity of the whole system" by fiscal policy is the result of the noted inability of monetary policy by itself to control the level of activities. Further, because government bonds are so closely related to the question of liquidity, we think that the Radcliffe Committee's conclusions about public debt management as the key note of monetary policy is well taken. We would urge that in the Commission's deliberations it consider this aspect of the capital market so that the growth and development considered so important for sustaining employment and stimulating economic growth is not sacrificed in the interest of easier monetary management. In emergencies, the government has sufficient direct controls to ward off disaster, and we would consider it highly undesirable to introduce barriers to the further development and improvement of the capital market in the

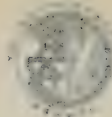


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1 interests of expediency in monetary management. We  
2 would at this time also emphasize the tremendous  
3 amount of liquidity in the hands of the public,  
4 independent of changes in the rate of interest, as  
5 represented by the nearly four billion dollars  
6 worth of Canada savings bonds. We feel that this  
7 large amount of bonds whose price and rates of  
8 return are independent of monetary policy must  
9 cause difficulties for investment dealers and  
10 others who have a duty to their clients. Surely  
11 it would be undesirable to have large amounts of  
12 these bonds sold back in times of tight money.  
13 But it would seem to be the duty and obligation  
14 of many in our society to advise their clients  
15 to convert from Canada Savings bonds to other  
16 securities. Surely Canada Savings bonds pur-  
17 chased at the end of 1957 and considered slightly  
18 superior to industrial bonds at that time (when  
19 the yield on industrials was just over 5 per cent)  
20 became undesirable as an investment at the end of 1959  
21 when the yield on industrials exceeded 6 per cent. We would  
22 like to express our view that Canada Savings Bonds are a  
23 great threat to monetary policy, particularly since  
24 it is the duty of knowledgeable people (investment  
25 dealers, bank managers, etc.) to advise holders of  
26 Canada Savings Bonds to convert to other securities  
27 during periods of tight money and high interest  
28 rates, thus thwarting government policy. We suggest  
29 the Canada Savings Bonds program be reconsidered to  
30 eliminate its possible undesirable features. We





interests of expediency in monetary management. We would at this time also emphasize the enormous amount of liquidity in the hands of the public, independent of changes in the rate of interest, as represented by the nearly four billion dollars worth of Canada savings bonds. We feel that this large amount of bonds whose price and rates of return are independent of monetary policy must cause difficulties for investment decisions and others who have a duty to their clients. Surely it would be undesirable to have large amounts of these bonds sold back in times of tight money. But it would seem to be the duty and obligation of many in our society to advise their clients to convert from Canada Savings Bonds to other securities. Surely Canada Savings Bonds purchased at the end of 1957 and considered slightly superior to industrial bonds at that time (when the yield on industrials was just over 5 per cent) became undesirable as an investment at the end of 1959 when the yield on industrials exceeded 6 per cent. We like to express our view that Canada Savings Bonds are a great threat to monetary policy, particularly since it is the duty of knowledgeable people (investment dealers, bank managers, etc.) to advise holders of Canada Savings Bonds to convert to other securities during periods of tight money and high interest rates, thus thwarting government policy. We suggest the Canada Savings Bonds program be reconsidered to eliminate its possible undesirable features. We



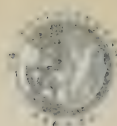


1 would also express our view that one important  
2 reason for what we have called "excess liquidity"  
3 at the present time is the apparent policy of the  
4 Bank of Canada to develop a short term money market  
5 in Canada, although we believe that this improvement  
6 in the functioning of the capital market is highly  
7 desirable.

8  
9 301. Once the "excess liquidity" has been  
10 squeezed out of the system (either through fiscal  
11 policy or the growth of the capital market towards  
12 its limits) traditional types of monetary management  
13 come into their own. Our argument, in brief, is  
14 that we should speed up the development of the  
15 capital market so that the monetary policy can work.  
16 A barrier placed in the way of development of the  
17 capital market (e.g. restrictive controls of financial  
18 institutions) admittedly an alternative to traditional  
19 monetary policy, is likely to result in inefficiency  
20 in the capital market and is likely to stimulate  
21 the development of less desirable institutions to  
22 circumvent the controls.

23 302. Captive Financial Institutions

24 We would, however, like to suggest that  
25 one class of financial institutions merit special  
26 consideration. These are captive financial institu-  
27 tions, which are associated with non-financial  
28 organizations. These institutions may pursue perverse  
29 lending policies and may aid and abet monopolistic  
30 practices in the non-financial sectors. (See, Paul



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1 H. Banner, "Competition, Credit Policies, and the  
2 Captive Finance Company", Q.J.E., Vol. 72, p. 241,  
3 et seq.). By the same token, we feel the competition  
4 in the capital market is important and desirable, and  
5 would dislike seeing restrictions on the formation and  
6 organization of new institutions.

7  
8 303. The post-war period special

9 In particular, we feel that the post-war  
10 period in Canada has been a very special case, and  
11 it is not safe to generalize about the future from  
12 this short period. (In the study for the Gordon Com-  
13 mission, Financing Economic Activity in Canada, p. 193,  
14 Hood argued that the experience of 1956 and 1957  
15 was a poor guide to the future effectiveness of  
16 monetary policy: "The period we have just passed  
17 through was rather special" because of new types of  
18 markets and securities and new habits developed by  
19 consumers. Hood also felt that when these changes  
20 were fully worked out, and the conditions have  
21 settled down, the system would become more responsive  
22 to monetary policy). We trust that the recent  
23 experience will not be given undue weight in your  
24 recommendations.

25 304. Another aspect of the credit union move-  
26 ment should be mentioned. Many theorists argue that  
27 interest rate changes in connection with monetary policy  
28 to restrain or stimulate the volume of transactions  
29 set up a velocity effect that partially counter-  
30 balances the effects of changing the money supply.



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1 The effect of increased interest rates is to make  
2 idle balances expensive to hold and to stimulate  
3 a reduction in the size of balances and  
4 a corresponding increase in velocity. A fall in the  
5 interest rate reduces velocity because the cost of  
6 holding idle balances falls. We do not presume to  
7 know how important this factor is in offsetting  
8 monetary policies. However, we feel that the lack  
9 of sensitivity of credit union members to interest  
10 rate changes and rate differentials and the small  
11 balances held by individuals tend to eliminate these  
12 counterbalancing forces. In other words, we do not  
13 feel that velocity changes are significant as a  
14 result of interest rate changes, and thus feel that,  
15 to the extent that these velocity effects are  
16 important, we aid and abet monetary policy. (Studies  
17 of velocity changes appear to be rather contradictory.  
18 See, for example, the following:

19 (1) R. T. SELDEN, "The Postwar Rise in the  
20 Velocity of Money: A Sectoral Analysis", The  
21 Journal of Finance, December, 1961.

22 (2) R. T. SELDEN, "Monetary Velocity in the  
23 United States", in Freidman (ed.), Studies  
24 in the Quantity Theory of Money.

25 (3) L. S. RITTER, "Income Velocity and Monetary  
26 Policy", American Economic Review, May, 1959.

27 (4) S. W. ROUSSEAS, "Velocity Changes and the  
28 Effectiveness of Monetary Policy", Review of  
29 Economics and Statistics, February, 1960.)  
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305. Unemployment

We have suggested that ensuring relatively full employment as a basic objective of our society, and one that commands the attention of governments. We wish, however, to support the view that unemployment may not be amenable to treatment by general monetary policies. "This (that employment can be completely eliminated by general monetary and fiscal policies working on aggregate demand) is certainly a much too optimistic view. Keynes and most Keynesians .... underestimate, it seems to me, the possible magnitude of frictional unemployment (people on the way from one job to another) and structural unemployment (unemployed workers in special depressed areas and industries) which, unlike general (i.e. well dispersed) unemployment, cannot be cured by merely manipulating aggregate demand" (from G. Haberier, "The General Theory", in The New Economics, (ed. Seymour Harris) p. 178). We are aware that unemployment has persisted in Canada in times of inflationary pressure and recognize that it is a tragedy when "tight money" works against the employment of the unemployed. There is some justification for having those financial institutions which cater to these needs not too responsive to tight money policies. We believe that the close connection between many of the activities we engage in and those the government has felt it desirable to stimulate even when applying a tight money policy is a justification for

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1 not having credit unions too responsive to general  
2 monetary policies. Many of our activities are in  
3 chronically depressed areas and industries and amongst  
4 the less wealthy sections of society. Our associa-  
5 tion with the cooperative movement strengthens this  
6 part of our claim because cooperative and credit  
7 union activities are frequently born out of adversity.  
8 The integration of uniins into centrals with associa-  
9 tions with cooperatives, and the membership of co-  
10 operatives in CCCS lead us to believe that in our  
11 attempt to give people a "fairer share" of the good  
12 things of this life we also assist in stimulating  
13 activities and relieving distress in many of those  
14 areas not too responsive to general monetary policy.  
15 Looking after the needs of members first contributes  
16 in many cases to the same end. For these reasons we  
17 feel that, to the extent that credit unions do not  
18 respond directly and quickly to tight money policies,  
19 this is desirable. We would be loathe to see this  
20 aspect of our work destroyed.

21 306. Summary on Monetary Policies

22 We must make clear, however, that the  
23 credit union movement even when completely organized  
24 on a national cooperative basis will not become  
25 completely price oriented, nor do we feel that it  
26 should. Self help and common interests are im-  
27 portant restraints on the extent to which the  
28 activities should be price and profit oriented.  
29 It is contended that the autonomy of the local credit  
30



not having credit unions too responsive to general monetary policies. Many of our activities are in chronically depressed areas and industries and amongst the less wealthy sections of society. Our association with the cooperative movement strengthens this part of our claim because cooperative and credit union activities are frequently born out of adversity. The integration of unions into central with associations with cooperatives, and the membership of co-operatives in CCOs lead us to believe that in our attempt to give people a "fairer share" of the good things of this life we also assist in stimulating activities and relieving distress in many of those areas not too responsive to general monetary policy. Looking after the needs of members first contributes in many cases to the same end. For these reasons we feel that, to the extent that credit unions do not respond directly and quickly to tight money policies, this is desirable. We would be loathe to see this aspect of our work destroyed.

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1 union protects those values which are considered  
2 important, whereas the development of centrals and  
3 the CCCS introduces somewhat more price oriented  
4 behavior and increases the mobility of funds, so  
5 necessary to obtain maximum benefit from the funds  
6 available. Further, the autonomous credit union,  
7 as an institution in the capital market, becomes  
8 more closely knit to the organized capital market  
9 through the centrals and the CCCS.

10 307. Further, the credit unions, because they  
11 do not make the most profitable use of fund, but  
12 restrain profits in the interest of serving their  
13 members' needs first, are not able to face the  
14 same restrictions and the competitive pressures  
15 as those institutions which do not restrain the  
16 pursuit of profit to the same extent. We hope  
17 that this will be borne in mind in the Commission's  
18 deliberations.

19  
20 308. In general, we feel that the effects of  
21 changes in monetary policy are reflected in the  
22 operations of the credit union movement. Interest  
23 rate changes tend to affect marginal activities of  
24 credit unions, but probably only to a minor extent  
25 unless the credit union is using bank loans. Centrals  
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27 policies which affect the rate of interest. If, however,  
28 monetary policy begins to affect the level of activities,  
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XII MARKETING AND TRADING OF RESIDENTIAL AND NON-

RESIDENTIAL MORTGAGES

309. The Joint Secretary of the Commission suggested that NACCU discuss the present arrangements in Canada for the marketing and trading of the various classes of residential and non-residential mortgages together with views which the credit unions might wish to present on ways in which the mortgage markets might be improved.

310. Mortgages

In our view mortgages in Canada are heavily directed towards construction of new houses in urban areas. Mortgages are not readily available on older homes, and when available are frequently for less than half the market price. This means that individuals have great difficulty purchasing older houses.

311. Rates

Frequently a wouldbe purchaser finds it necessary to consider a high rate of interest and a large down payment. This necessitates consideration of a second mortgage for which the market is notoriously inadequate. The carrying of two mortgages is beyond the means of many people of modest means. In the same way the accumulation of one-third to one-half of the purchase price is a tall order for many people.

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312. Illiquidity

At the present time mortgages are highly illiquid. The lack of a highly organized market for mortgages undoubtedly contributes to the high rate of interest which must be paid. One way of overcoming this lack of liquidity would be to have mortgage exchanges, issuing mortgage bonds and using the proceeds to purchase mortgages. This could eliminate some of the illiquid aspects because probably the bonds would be more liquid than the individual mortgages. There have also been suggestions that N.H.A. be applied to older homes. It is an anomaly to find home improvement loans readily available to home owners to improve a house which is not eligible for a large mortgage.

313. Defects in the mortgage market

We are not prepared to make specific recommendations to improve drastically the situation which now exists. We would like to point out that at the present time the mortgage market suffers from the following defects in our opinion:

314. (a) It is too difficult to obtain large low interest mortgages on older homes. A possible improvement here would be to give a higher proportion of the market price of the older house on a shorter mortgage -- the life of the mortgage being related to the age of the structure. There is also a case to be made for more flexible mortgages to meet the varying demands

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6 315. (b) There are insufficient private funds  
7 available at reasonable cost for rural mort-  
8 gages and mortgages in small towns.

9  
10 316. (c) Lack of liquidity of mortgages: a  
11 better organized mortgage market and the  
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19 317. In general we feel that credit unions  
20 may well extend their mortgage lending if their  
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XIII BANK OF CANADA - PUBLIC STATEMENTS OF POLICY

318. Mr. Mercure also asked the credit unions to express their views with regard to arguments for and against the Bank of Canada making more frequent and fuller statements about its policies.

319. Public Statements

The extent to which Central Bank policy should be publicized is a matter of dispute all over the world. Some argue for fuller public discussion, others for secrecy and announcements after the fact. In favour of fuller public statements are two important and weighty arguments:

(a) A full public statement would allow financial and non-financial institutions, both public and private, to know wherein lies the public interest as viewed by the central bank.

(b) Full public statements would allow informed public opinion to be brought to bear on bank policy and allow it to be subjected to public criticism.

320. Disadvantages

On the other side it must be recognized that public statements of bank policy could set up short term speculative activities making the policy difficult to implement, could

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1 establish conditions for profitable activities  
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5 that the bank would be embroiled in political  
6 disputes.

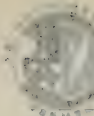
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11 the extent that most of the undesirable effects  
12 are related to short run policy, and market  
13 operations of the bank, a case could perhaps be  
14 made for frequent and full public statements  
15 about long run policy aims.

16 322. Long run policies

17 We would welcome such statements.  
18 However we can see that public discussion of  
19 short run policies could be and probably would  
20 be destabilizing and would undoubtedly make  
21 policy more difficult to implement. Further,  
22 there is a strong possibility that less socially  
23 conscious actions could be rewarded under these  
24 conditions.

25 323. Confidential Communications

26 We would suggest that, to the extent  
27 that a wider knowledge of short run changes in  
28 monetary policy is desirable, formal confidential  
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20 We suggest, however, that this type of control  
21 is best done through Canadian Co-operative  
22 Credit Society and the central credit unions.  
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credit unions would not willingly act in such a way as to negate National monetary policy in an undesirable way, and have in the past cooperated with the banking system in restricting loans when we were informed of the need to do so. We do not believe that formal confidential communications have been used as widely as they could have been. In this connection we would point out how valuable the organization of central credit unions has been. If moral suasion is to be relied upon as an important instrument of monetary policy our organization into centrals and ultimately in the Canadian Co-operative Credit Society makes it possible to have an element of co-operation without jeopardizing the confidential nature of the information. We can only state emphatically that should this type of control be more widely adopted we would cooperate fully with the monetary authorities. We suggest, however, that this type of control is best done through Canadian Co-operative Credit Society and the central credit unions.





XIV. THE ROLE OF CREDIT UNIONS

324. Unique.

The role of credit unions is not to engage in banking. They may perform from time to time operations which appear to be similar to some of those performed by banks -- but those operations are also similar to operations of many financial institutions which clearly are not banks -- such as loan companies, trust companies and saving and loan associations. Yet credit unions are not any of those kinds of institutions either. They have unique characteristics of organization and function, which have already been fully described.

325. Needs of Members

For a long time credit unions had an image of themselves as small loan operations -- even after they had begun to serve longer term needs of members. (Note transcript Toronto Vol. 11, pages 1103 and 1104). Their early loans were emergency or distress type of loans. Later they began to finance household appliances and automobiles as members' needs required and funds permitted, and later still they took some responsibility and are now taking some responsibility for the mortgage needs of their members.

326. There is such a great need in the area of rural mortgages and urban second mortgages,

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1 particularly among persons of modest means, that  
2 for some time to come these types of loans may tax  
3 the ability of the credit unions to meet their  
4 members' needs. This will involve new techniques  
5 to increase their pool of funds and to safeguard  
6 their liquidity if they expand in this field.  
7 However, in the past they have found themselves  
8 capable of growth and adaptability to members' needs.

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10 327. The future

11 NACCU's view is that in terms of  
12 type of loan credit unions cannot be pigeon-  
13 holed. They will develop into those fields where  
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16 While this allows for variation it is a limiting  
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18 328. Limiting factors

19 One further limiting factor appears  
20 certain, that is that credit unions will also  
21 tend to be the instrument of persons of modest  
22 means who have some social consciousness and are  
23 unable to take part in individual investment  
24 programs because of lack of time and knowledge  
25 and because they cannot afford the risk, except  
26 through pooling. Some credit unionists see every  
27 Canadian as a potential credit union member.  
28 Others recognize this limitation on growth.  
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particularly among persons of modest means, that for some time to come these types of loans may tax the ability of the credit unions to meet their members' needs. This will involve new techniques to increase their pool of funds and to safeguard their liquidity if they expand in this field. However, in the past they have found themselves capable of growth and adaptability to members' needs.

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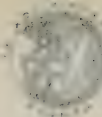




329. A yardstick of reasonable rates

To some extent in whatever field the credit unions operate they will serve as a yardstick by which the ordinary man can measure the costs to him of services charged by profit oriented business and can gain a greater insight into the factors which enter into the granting of credit. At the same time the credit union offers him an unusual experience in practical democracy.

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XV CONCLUSIONS

331. Unanimity

We are pleased to report that there is entire unanimity amongst the provincial credit union leagues and central type organizations represented by NACCU with respect to all matters contained, not only in this brief, but also in the briefs filed by CUNA and CCCS. They have been studied and approved by duly appointed representatives of the leagues and credit societies involved.

332. We mention this because at the outset of the Commission's proceedings NACCU gave to the Commission's representative an undertaking that if strong dissenting views arose amongst the credit unions represented by NACCU relevant to the matters under consideration by the Commission, they would be disclosed to the Commission and appropriate statements of such views would be presented.

333. NACCU has sought to disclose and discuss all facts (so far as they are ascertainable) and views of credit unions represented by it, relevant to the Commission's enquiry, and will look forward, upon hearing of the brief, to having its representatives comment and enlarge upon any matters raised.

334. Ontario (a non-member)

NACCU regrets that by virtue of the fact that the Ontario Credit Union League is not

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1 presently a member of NACCU, it has been unable  
2 to present full statistics with respect to  
3 credit union operations in that province. The  
4 League has kindly made available some figures  
5 particularly in relation to the operation of its  
6 League Central Division. Some other figures have  
7 been made available through the full cooperation  
8 of the Ontario Co-operative Credit Society (a  
9 member of Canadian Co-operative Credit Society)  
10 and that society has participated in the develop-  
11 ment and consideration of this brief and has  
12 concurred in the views expressed herein.

13  
14 335. As to other facts with respect to  
15 credit unions in Ontario we do not pretend to be  
16 in a position to comment, except to say, having  
17 regard to the large measure of similarity in the  
18 operation and practices of credit unions in the  
19 English speaking communities, we would expect to  
20 find substantial similarity in Ontario. However,  
21 recognition would require to be given in that  
22 province also to the local autonomous nature of  
23 credit unions. Differences arising out of dif-  
24 fering patterns of bonds of association and dif-  
25 ferences in credit union philosophy might give  
26 to that province characteristics of its own which  
27 in some measure distinguish it from other provinces.

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1 represent the credit unions in Ontario. We would  
2 expect from our contact with credit unions in  
3 that province through CCCS that the views of  
4 some Ontario credit unions as to the function of  
5 a central type credit society, the adequacy of  
6 liquidity, "chequing" services and the sharing  
7 of mutual interests with other cooperative  
8 enterprises might differ in some respects from  
9 the views expressed in this brief. However, the  
10 Commission will have to look to the brief and  
11 submissions of the Ontario Credit Union League  
12 and such other information as the League may file  
13 or the research team of the Commission may find,  
14 in order to fill out the picture as to Ontario.

15 337. Summary

16 Essentially the submission of NACCU  
17 might be summarized briefly as follows:  
18

19 338. (a) The mutual, non-profit oriented co-  
20 operative and democratic basis of credit  
21 unions distinguish them from other organi-  
22 zations in Canada dealing with savings and  
23 credit.

24 339. (b) Credit unions provide a satisfactory  
25 and safe place principally for persons of  
26 modest means to save and share their savings  
27 to help themselves and other members solve  
28 their credit problems in the local community.  
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30 340. (c) Credit unions are local in their



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1           emphasis and tend to provide a measure of  
2           justice in the price system by localizing  
3           the use of funds for purposes which, to a  
4           very large extent, have been recognized by  
5           Parliament as socially desirable.

6  
7       341. (d) Credit unions provide mobility of  
8           reserve and surplus funds which tend to be  
9           responsive both to the price system and  
10          monetary policy. This is by reason of their  
11          voluntary co-operation in provincial co-  
12          operative credit societies and CCCS.

13       342. (e) Credit unions historically have been  
14           provincially created and supervised bodies.  
15           Having regard to their local autonomous  
16           nature and the need for frequent adjustment  
17           in legislative provision to meet their  
18           changing growth and circumstances, they  
19           should continue to be subject to pro-  
20           vincial jurisdiction.

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22       343. (f) There appears to be no foundation  
23           at present either in the general national  
24           interest or in the interests of monetary  
25           policy for regulation or control of  
26           credit unions on a federal basis.

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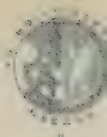
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4 unions is deposited with these associations.

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10 346. (i) There is little to be gained by  
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12 Bank of Canada.

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15 monetary authorities with the national  
16 leaders of credit union organization  
17 would provide a suitable basis for the  
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SCHEDULE 1

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on Banking  
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HISTORY OF CREDIT UNIONS

The credit of being the founder of modern  
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The principles and practices which they developed  
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Raiffeisen (1818-83), sometimes referred to  
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became a practical organizer. It is reported that  
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8 opportunity to study the economic life of his district.  
9 As a member of the national assembly (1848-9) during a  
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11 committee to consider petitions containing grievances,  
12 he obtained a thorough understanding of economic  
13 needs to be met. His chief aim was materialistic.  
14 The six principles which he developed for a people's  
15 bank were as follows:

- 16 (1) the exclusion of charity
- 17 (2) the joint liability of all members for  
18 the bank's debts;
- 19 (3) borrowing on the basis of this joint  
20 liability;
- 21 (4) lending the capital only to those who  
22 could repay;
- 23 (5) regular contributions by members towards  
24 the capital;
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6 In practice the Schulze-Delitzsch plan  
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20 Smith - Social Security Bulletin, W.S. Dept. Health  
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to five years. Deposits were received from members and non members. No dividends were paid. Net surpluses remaining after transfers to reserves were used for educational purposes and for community welfare projects. Upon dissolution of a society, members did not participate in the distribution of reserves (Smith (supra)). The business of these societies was carried on informally, often after church, on holidays or in the evenings. The treasurer was frequently a school teacher, public official or the village priest. Management was by an executive committee and a supervisory council. Until required by German law, these societies did not issue shares and then only of nominal value. The Raiffeisen societies organized provincial federations which in turn formed national federations, one of which published a paper, operated a printing office and savings bank and used the surpluses for the benefit of the societies.

In commenting on the Raiffeisen type of credit union, Myron T. Herrick, for many years United States Ambassador at Paris said: "The Raiffeisen type of credit union is a perfect organ for facilitating the flow of capital and cheapening credit for agriculture. The records of the thousands of these little banks in Germany of never having lost a cent belonging to the millions of people who have dealt with them during the past fifty years is unparalleled in the history of finance." (Giles (supra) p. 136).

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The contribution of Luigi Luzzatti, another pioneer in the co-operative banking field, should be noted. This distinguished Italian economist and public figure was born in 1841. In 1864 he studied the operations of the Schulze-Delitzsch people's banks in Germany and promptly started the first people's banks in Italy. The Italian societies were organized on a share capital basis. In contrast to the Schulze-Delitzsch banks all shares had to be paid up within a short period, ten months at the longest (Tucker (supra) p. 215). Luzzatti's reputation was established by the organization of a people's bank at Milan in 1866 with a capital of \$140; by 1913 it had attracted a membership of 25,000 and more than 700 similar people's banks had been organized in Italian cities and market towns (Giles (supra) p. 139, 140). Many of these societies made unsecured loans which were known as "honour loans". Through personal correspondence Luzzatti aided Alphonse Desjardins to evolve the first credit union plan in America (Smith (supra) p. 2).



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North America

The earliest society in the nature of a credit union was the Farmers' Bank of Rustico in Prince Edward Island, organized in 1864 among Acadian farmers by a French priest, Father Belcourt. It accumulated capital of \$10,000 and operated successfully for many years (Giles (supra) p. 343). In 1892 it was forced to dissolve in order to comply with new Canadian banking laws (John T. Croteau - Agricultural History 24, p. 228). As early as 1871 the achievements of Raiffeisen in the field of rural credit were being impressed upon the Massachusetts legislature by Josia Quincy and others in an attempt to get enabling legislation enacted. There were favourable committee reports in both Houses of the Legislature but the attempt failed (Giles (supra) p. 72.)

Although these earlier ventures are not without interest, credit for adapting the people's bank to North America needs must go to Alphonse Desjardins, a Quebec journalist. Desjardins was born at Levis, Quebec, on November 5, 1854. In his youth he learned from experience of the problems of the lower income classes. After some experience in journalism, he was from 1891 to 1917 an official Hansard reporter in the Canadian House of Commons. "When the subject of high interest rates was taken up in a parliamentary investigation, his position gave him a unique opportunity to view the problem of usury and its effects upon the poorer classes of





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3 to remedy the evils of usury. He was impressed  
4 and encouraged by what had been done at Rustico in  
5 Prince Edward Island in the years following 1864.

6 After making a study of the European  
7 People's Banks, Desjardins evolved a plan to meet  
8 the needs of the people he wanted to help. It  
9 was based on the Luzzatti system but included  
10 some of the distinctive features of the Raiffeisen  
11 banks. In 1900 Desjardins founded the Caisse Populaire  
12 de Levis at Levis near Quebec. The society had  
13 a very modest beginning with \$26.00 of capital  
14 and eighty members. However, its formation was  
15 accompanied by this noteworthy prophecy made by  
16 the parish priest, Monsignor Gosselin in his New  
17 Year's message: "In the course of the last month  
18 there was organized in our midst the first people's  
19 bank in America. This institution, it seemed to  
20 us, will have repercussions on our national future;  
21 tomorrow, this co-operative organization for savings  
22 and credit will cover all America." (Giles  
23 (supra) p. 88).

24 Desjardins organized a second society in  
25 1901 and a third in 1905. However, it was not  
26 until 1906 that the Quebec Syndicates Act, drafted  
27 by him, was passed by the Quebec Legislature. This  
28 legislation furnished a legal basis for caisses  
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the parish priest, Monsignor Gosselin in his New

Year's message: "In the course of the last month

there was organized in our midst the first people's

bank in America. This institution, it seemed to

us, will have repercussions on our national future;

tomorrow, this co-operative organization for savings

and credit will cover all America." (Gilles

Desjardins organized a second society in

1901 and a third in 1905. However, it was not

until 1906 that the Quebec Syndicates Act, drafted

by him, was passed by the Quebec Legislature. This

legislation furnished a legal basis for caisses

populaires and its enactment stimulated great interest

in Quebec and also in the United States. The influence

1 of Luzzatti is apparent in this legislation with its  
2 form of democratic control, limited liability and the  
3 division of work among a number of unpaid committees  
4 but the Luzzatti structure was greatly simplified.

5 The Quebec caisses populaires differed  
6 in a fundamental respect from the European people's  
7 banks, perhaps from legal necessity. As is well  
8 known the British North America Act places jurisdiction  
9 over banking in the Dominion Parliament and the  
10 Quebec legislature did not therefore have the  
11 authority to incorporate banks. It had authority  
12 to legislate for the incorporation of societies  
13 which did business of a banking nature with its  
14 members only and the Syndicates Act of 1906 prohibited  
15 the acceptance of deposits from non-members.

16 There was a further departure from the  
17 Schulze-Delitzsch and Raiffeisen systems. The  
18 Desjardins societies not only granted loans for  
19 productive purposes, but they also made available  
20 to their member remedial loans at low rates of interest.  
21 The Luzzatti banks had made some remedial loans  
22 but more as a semi-charitable accommodation than  
23 as a regular business (Croteau (supra) p. 229).

24 Essentially it is the caisse populaire  
25 established by Desjardins which is the cooperative  
26 credit institution, known generally outside of Quebec  
27 as a credit union, which has spread throughout the  
28 United States and Canada.

29 Desjardins assisted in having credit unions  
30 established in the United States and helped to organize

established in the United States and helped to organize  
Postcards assisted in having credit unions

United States and Canada.

as a credit union, which has spread throughout the  
credit institutions, from entirely outside of Quebec  
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Essentially it is the cause of popularizing

as a regular business (Gordon (agrs) p. 232).  
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but the Luzzatti structure was greatly simplified.  
division of work among a number of unpaid committees





1 the first credit union there, La Caisse Populaire  
2 Ste. Marie. This was established among French speaking  
3 people of Manchester, New Hampshire and was granted  
4 a special charter by the State Legislature on  
5 April 6, 1909. (Smith (supra) p.3). More important  
6 was Desjardins' assistance in 1909 in drafting the  
7 first general credit union law which was enacted by  
8 the Massachusetts Legislature in 1909. This law set  
9 the pattern for the credit union movement in the  
10 United States. Development was stimulated by studies  
11 of various commissions appointed to deal primarily  
12 with problems of agricultural credit. Missions to  
13 Europe between 1908 and 1914 studied the Schulze-  
14 Delitzsch, Raiffeisen and Luzzatti systems. In 1912  
15 President Taft wrote the state governors to suggest  
16 credit union legislation. He stated that the  
17 organization and management of credit unions "are  
18 wonderfully simple, and the experience of the  
19 European countries shows that their success is  
20 practically inevitable where the environment is  
21 congenial to their growth and where proper laws are  
22 passed for their conduct." (Giles (supra) p. 135).

THE MASSACHUSETTS CREDIT UNION ACT

See, Marle. This was established among French speaking people of Manchester, New Hampshire and was granted a special charter by the State Legislature on April 1, 1900. (See, French, p. 100)

was Desjardins' assistance in 1900 in drafting the first General credit union law which was enacted by the Massachusetts Legislature in 1902. This law set the pattern for the credit union movement in the United States. Development was stimulated by studies of various commissions appointed to deal primarily with problems of agricultural credit. Missions to Europe between 1908 and 1914 studied the Schulze-Delitzsch, Raiffeisen and Luzzatto systems. In 1912 President Taft wrote the state governors to suggest credit union legislation. He stated that the organization and management of credit unions "are wonderfully simple, and the experience of the European countries shows that their success is practically inevitable where the environment is congenial to their growth and where proper laws are passed for their conduct." (Taft (Sen.) p. 135).

SCHEDULE 2

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on Banking  
and Finance)

SUMMARY OF MAIN PRINCIPLES OF THE PROVISIONS OF CREDIT  
UNION ACTS IN PROVINCES WHERE BRIEFS HAVE BEEN FILED  
RELATING TO OBJECTS, LENDING, BORROWING, INVESTMENTS,  
DISTRIBUTION OF SURPLUS AND RESERVES (Extracted from briefs)

(Note: - Briefs are not yet available from New  
Brunswick, Prince Edward Island and Newfoundland.  
Abbreviations are used to indicate provinces.  
Figures in brackets indicate page of brief.  
The letter "S" with a number indicates the  
page of Schedule to a brief. The letter "A"  
with a number indicates the section of the  
provincial credit union act to which reference  
is made.)

Objects

Throughout Canada there is considerable  
uniformity in the objects for which credit unions  
have been formed. In B.C. (1) credit unions represent  
a popular movement of about 215,000 people organized  
to employ self help in encouraging thrift in the use  
of collective savings for provident purposes for their  
members -- based on democratic principles. They make it  
possible for the ordinary man to see and understand  
how his savings are used to help his fellow man and  
his local community.

As described in the Alberta brief (1) the







1 principal object of the credit union movement in  
2 that province is the establishment of a co-operative  
3 enterprise among groups of people. The object of  
4 credit unions is to create a fund of money as a  
5 source of credit for their members. Loans are made  
6 for provident, productive and merchandising purposes.  
7 Another objective is to provide a convenient place  
8 to save money with a moderate rate of return on  
9 such savings. Incidental to these objects is  
10 that of teaching people to manage their own money.

11 In Saskatchewan (11) the objects of a  
12 credit union are the promotion of thrift among its  
13 members and the creation of a source of credit for  
14 its members at legitimate rates of interest,  
15 exclusively for provident and productive purposes.  
16 When stated another way the object of a credit  
17 union is the creation of a revolving fund of savings  
18 supplemented, when necessary, by borrowed money to  
19 be used for loans to members or for investment when  
20 not immediately required for loans. The Saskatchewan  
21 brief (12) states that the broad objective of a  
22 credit union is to help people to build up savings  
23 as a foundation for credit and to charge for the  
24 latter just enough to take care of expenses, reserves  
25 and to pay a return on savings to encourage members  
26 to leave their savings with a credit union or to  
27 increase them.

28 In Manitoba, as stated in Sec. 4 of the Act,  
29 the main purposes of a credit union are to receive  
30 the savings of its members, either as payments on



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In Manitoba, as stated in Sec. 4 of the Act

the main purposes of a credit union are to receive

the savings of its members, either as payments on



1 shares or on deposits and to make loans to members  
2 exclusively for provident and productive purposes.  
3 Stated in more general terms the objects and purposes  
4 of a credit union in Manitoba are as follows (3):

5 "(a) to teach and encourage the habit of thrift  
6 by providing a safe, convenient, and  
7 attractive medium for the investment of  
8 their savings and provide them a fair  
9 return;

10 (b) to help each other in the matter of handling  
11 their own finances and to help and guide each  
12 other to live within their means;

13 (c) to eliminate usury, establish productive  
14 credit, and increase their purchasing power  
15 by enabling each other to borrow for  
16 productive or provident purposes at a  
17 reasonable rate of interest;

18 (d) to develop sound business methods and prac-  
19 tices and to train new members to assume  
20 responsibility in the society for its con-  
21 tinued preservation, good operation and  
22 management."

23 The Ontario brief (6) describes credit  
24 union operations as "do it yourself financing".  
25 The objects are set forth in Sec. 4 of the Act and  
26 are similar to those in other provinces.

27 Although in Quebec the objects of a credit  
28 union as set out in the Co-operative Syndicates Act are  
29 very brief, the goals are very clearly set forth  
30 at page 44 of the brief as follows:

Stated in more general terms the objects and purposes

of a credit union in Manitoba are as follows (3):

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by providing a safe, convenient, and

attractive medium for the investment of

their savings and provide them a fair

return;

(b) to help each other in the matter of handling

their own finances and to help and guide each

other to live within their means;

(c) to eliminate waste, establish productive

by enabling each other to borrow for

productive or provident purposes at a

reasonable rate of interest;

(d) to develop sound business methods and prac-

tices and to train new members to assume

responsibility in the society for its con-

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are similar to those in other provinces.

Although in Quebec the objects of a credit

union as set out in the Co-operative Societies Act are

very brief, the goals are very clearly set forth:





1 " The goal of every credit union is  
2 enrolment as a member of every person who is  
3 eligible for membership in terms of a charter.  
4 Further, and more important, the goal is to  
5 see that that person gets all the service which  
6 will be of benefit to him. In terms of  
7 thrift, that represents all the money he can  
8 save, at least up to the maximum for which  
9 life savings insurance is provided.

10 In terms of credit service, the goal of  
11 every credit union is to carry the personal  
12 consumer debt load of all the people in its  
13 field of service, both because it can do so  
14 at a lower rate of interest, and because it  
15 extends credit in terms of human needs and  
16 requirements, and is not motivated by  
17 the compulsion to make profits for non  
18 member stockholders. When a member should do  
19 his borrowing from another source, as sometimes  
20 happens, the credit union will send him there.  
21 The purpose of the credit union is to serve,  
22 not to exploit."

23 According to the Nova Scotia brief (48) the  
24 basic objectives of the credit union movement are two-  
25 fold. First, to encourage the members to develop the  
26 habit of thrift by regular and systematic savings.  
27 Second, to provide a source of credit for provident and  
28 productive purposes at reasonable rates of interest.  
29 Beyond these basic objectives, the credit union  
30 movement will no doubt provide the kinds of service

enrollment as a member of every person who is eligible for membership in terms of a charter. Further, and more important, the goal is to see that that person gets all the service which will be of benefit to him. In terms of thrift, that represents all the money he can save, at least up to the maximum for which life savings insurance is provided.

In terms of credit service, the goal of every credit union is to carry the personal consumer debt load of all the people in its field of service, both because it can do so at a lower rate of interest, and because it extends credit in terms of human needs and requirements, and is not motivated by the compulsion to make profits for non-member stockholders. When a member should do his borrowing from another source, as sometimes happens, the credit union will send him there. The purpose of the credit union is to serve, not to exploit."

According to the New States brief (p. 8) the basic objectives of the credit union movement are two-fold. First, to encourage the members to develop a habit of thrift by regular and systematic savings. Second, to provide a source of credit for providing a productive purpose at reasonable rates of interest. Beyond these basic objectives, the credit union movement will no doubt provide the kind of service



1 that the members; from time to time, express a  
2 desire to receive, according to the Nova Scotia brief.

3  
4 Lending

5 In B.C. credit union lending has to date been  
6 mainly of the small loan, short term type. The  
7 distribution of loan activity is indicated by a  
8 spot check taken covering the period from January 1st,  
9 1961 to the end of November on the basis of replies  
10 from 62 per cent in number of all credit unions.  
11 According to this spot check the distribution was  
12 as follows with percentages shown in brackets:  
13 debt consolidation (16); private cars (21); commercial  
14 cars, trucks (2); household equipment (7); home  
15 improvement (12); land and buildings (18); fishing  
16 boats and gear (2); medical bills (2); other loans (20).  
17 Although the type of security offered for a loan  
18 does not always reflect the purpose of the loan,  
19 it does in general and the loan analysis based on  
20 security found in pages 30 to 34 of the financial  
21 section of the survey report on credit unions in B.C.  
22 is very useful. The facts made available illustrate the  
23 desire of credit unions to meet needs of the members  
24 for loans for productive and provident purposes  
25 often not available from other sources or at all  
26 and to make those loans at reasonable rates. It  
27 should be noted that many members follow the practice  
28 of borrowing against savings rather than withdrawing  
29 them (16) (Survey Report, financial section, p. 33,  
30 table 9). In the smaller credit unions character is



In B.C. credit union lending has to date been mainly of the small loan, short term type. The distribution of loan activity is indicated by a spot check taken covering the period from January 1st, 1961 to the end of November on the basis of replies from 25 per cent in number of all credit unions. According to this spot check the distribution was as follows with percentages shown in brackets:

debt consolidation (16); private cars (21); commercial cars, trucks (2); household equipment (7); home improvement (12); land and buildings (16); fishing boats and gear (2); medical bills (1); other loans (20)

Although the type of security offered for a loan does not always reflect the purpose of the loan, it does in general and the loan analysis based on security found in pages 30 to 34 of the financial section of the survey report on credit unions in B.C. is very useful. The facts made available illustrate the desire of credit unions to meet needs of the members for loans for productive and personal purposes other than available from other sources or at all and no like these loans as residential loans. It should be noted that many members follow the practice of borrowing against savings rather than withdrawing them (16) (Survey report, financial section, p. 37, table 9). In the analysis credit unions characterised





1 still a factor in granting small loans (17). Powers  
2 and conditions relating to loans set out in Sec. 18 of the  
3 B.C. Act should be carefully noted.  
4 In Alberta credit unions have in the main  
5 restricted their lending to the personal loan field.  
6 During 1961, 1794 loan applications were approved  
7 averaging \$451.00 per member. Loans are made for  
8 periods not exceeding twenty-four months for the following  
9 purposes: cars and car repairs, down payments on  
10 lots and houses, home improvements, advance on  
11 mortgage loans, consolidation of debts, furniture  
12 and appliances, business loans, personal loans,  
13 vacations, fire and auto insurance, travelling expenses,  
14 doctor and dental bills, taxes. A trend is  
15 developing for longer terms of loans but so far credit  
16 union loans have not been extended beyond thirty-six  
17 months. The average outstanding loan balance has  
18 steadily increased due to channelling of more of the  
19 credit needs into the one source. Most loans in excess  
20 of four hundred dollars are secured by chattel mortgage  
21 or by a co-signer. Second mortgage loans are  
22 increasing in number as other financial institutions  
23 are discounting such loans or charging high rates of  
24 interest. Loans for cars and car repairs represent  
25 the largest percentage. Loans for consolidation of  
26 debts is another large item. The statutory provisions  
27 regarding the loans are found in Secs. 29 to 37 of  
28 the Act.  
29 In Saskatchewan in 1960 two hundred and  
30 seventy-two credit unions made 50,021 loans totalling

still a factor in granting small loans (17). Powers and conditions relating to loans set out in Sec. 18 of the B.C. Act should be carefully noted.

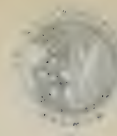
In Alberta credit unions have in the main restricted their lending to the personal loan field. During 1951, 1794 loan applications were approved averaging \$451.00 per member. Loans are made for periods not exceeding twenty-four months for the following purposes: cars and car repairs, down payments on lots and houses, home improvements, advance on mortgage loans, consolidation of debts, furniture and appliances, business loans, personal loans, vacations, fire and auto insurance, travelling expenses, doctor and dental bills, taxes. A trend is developing for longer terms of loans but so far credit union loans have not been extended beyond thirty-six months. The average outstanding loan balance has steadily increased due to channelling of more of the credit needs into the one source. Most loans in excess of four hundred dollars are secured by chattel mortgage or by co-signer. Second mortgage loans are increasing in number as other financial institutions are discounting such loans or charging high rates of interest. Loans for cars and car repairs represent the largest percentage. Loans for consolidation of debts is another large item. The statutory provisions regarding the loans are found in Secs. 29 to 37 of the Act.

In Saskatchewan in 1950 two hundred and seventy-two credit unions made 50,021 loans totalling



1 \$43,638,000.00 or \$872.00 per loan (19). Details are  
2 set out in table 6, page 24 of schedule B of the Saskatchewan  
3 brief. It will be noted that the most important  
4 purposes for which loans are made are for home improve-  
5 ments 24 per cent, machinery, trucks and repairs  
6 22 per cent; land payments and mortgage retirement  
7 13 per cent and consolidation of debts 13 per cent  
8 (19), although under Sec. 57 loans may be made to a  
9 member for use in the operation of business where the member  
10 is the sole owner and proprietor and where his assets  
11 before the loan is made exceed \$100,000.00. Very  
12 elaborate safeguards and conditions regarding loans  
13 by credit unions are set forth in detail in  
14 Secs. 55 to 74B inclusive of the Act. These sections  
15 have recently undergone important amendments with  
16 regard to security, approval of loans, etc. In  
17 Saskatchewan preference is given to the smaller borrowers  
18 as being most in need of service. Small businessmen  
19 in rural communities especially where there are not banks,  
20 borrow in modest amounts. Where some of the members  
21 of a credit union are ratepayers of a rural muni-  
22 cipality they may, as a matter of policy, be willing  
23 to see their credit union help finance the municipality  
24 in order to keep their own savings which they have in  
25 the credit union circulating within the community.  
26 The credit union, because of its local orientation  
27 and control, may thus be in the position to keep its  
28 members' savings circulating within the community.  
29 The credit union is essentially a short term and intermediate  
30 term institution to meet the personal and productive





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and control, may thus be in the position to keep the  
members' savings circulating within the community.  
The credit union is essentially a short term and intermediate  
term institution to meet the personal and productive





1 loans needs of its members as its resources and  
2 contacts with its members will permit. The Saskatchewan  
3 brief points out that the limitations on  
4 loans to businessmen and institutions are in the nature of  
5 a compromise to enable a credit union to be of some  
6 service to such local businessmen and institutions, but  
7 leaving the main field of business and institutional  
8 loans to other agencies (20). Secs. 62 to 64 -- every  
9 loan shall be made subject to the conditions prescribed  
10 in the by-laws. Procedure for making loans is found  
11 in S-6 of the brief. Although the Act is very  
12 general in its provisions the credit committee takes  
13 the following into consideration when dealing with  
14 loans; the character of the borrower, the purpose  
15 for which the loan is being made, and the ability  
16 of the borrower to repay according to the terms of  
17 the contract. Because of the common bond of  
18 association the credit committee is in a good  
19 position to assess these factors and to determine  
20 whether a loan is warranted.

21           The average size of a credit union loan in  
22 Manitoba is between five hundred and a thousand  
23 dollars and the term is usually from twelve to thirty-  
24 six months, except in the case of real estate  
25 mortgages which usually have a term of five years (21).  
26 In Manitoba in 1955 credit unions made a total of  
27 30,142 loans with a total of \$10,840,873. In 1960,  
28 however, 48,276 loans totalling \$29,852,679.00 were  
29 made. These were made in twenty different classi-  
30 fications, the most important being as follows, land

positions, the most important being as follows, 1939

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contacts with its members will permit. The Saskatchewan

loans needs of its members as its resources and



1 and buildings (purchase and repairs other than  
2 mortgage loans) approximately \$5 million; real  
3 estate mortgage loans approximately \$4,500,000;  
4 automobiles and trucks (purchase and repairs)  
5 \$6,839,000; furniture and clothing \$1,780,640;  
6 business operations for merchandise, etc. (but  
7 not debts and buildings) \$1,335,367; consolidation  
8 of debts \$3,876,669 (SX). Other classifications  
9 will also be found in Schedule X.

10 With the exception of real estate mort-  
11 gages, a note is required for all credit union loans.  
12 Forms of security given by credit union borrowers  
13 include the following: shares and deposits in the  
14 credit union; a co-signer on a note; payroll deductions  
15 and wage assignments, chattel mortgages, real estate  
16 mortgages, assignment of documents and conditional  
17 sales agreements (S M).

18 In Ontario, as in other provinces, the  
19 character of the borrower and his need are the prime  
20 considerations in evaluating credit risks in the  
21 credit union. The factors involved in establishing  
22 a member's credit rating include the following:  
23 previous credit record, stability of residence and  
24 employment, work record, accumulation of personal  
25 assets and ability to repay. Some credit unions  
26 give preference to loans for subsistence purposes,  
27 such as food, clothing, rent or mortgage payments  
28 and other emergency loans for immediate need.  
29 Conditions such as strikes or lay-offs get special  
30 attention (46 and 47 and SO to 8).

attention (40 and 47 and 80 to 87).

Conditions such as business or pay-off and special and other emergency loans for immediate need.

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Forms of security given by credit union borrowers Rates, a note is required for all credit union loans.

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business operations for merchandise, etc. (but \$6,839,000: furniture and clothing \$1,760,644;

automobiles and trucks (purchases and repairs) estate mortgage loans approximately \$4,500,000;

and buildings (purchases and repairs other than





1                   Although under Sec. 23 of the Act a  
2 corporation may become a member of a credit union,  
3 loans to such corporations must be approved by a  
4 joint meeting of the board of directors, the credit  
5 committee and the supervisory committee (21). Under  
6 the standard by-laws loans over two hundred dollars  
7 must be secured. Loans in excess of three thousand  
8 dollars above the member's shares and deposits which  
9 are taken as collateral must be secured by first  
10 mortgage of real estate. However, the most  
11 commonly used form of security is the assignment  
12 of wages. Where the member is not employed at a  
13 wage or salary an assignment of moneys receivable  
14 is frequently taken, usually in rural areas. The  
15 chattel mortgage is used mainly by credit unions  
16 to secure loans issued for the purchase of automobiles.  
17 Endorsement of a promissory note by another person  
18 is usual. Under the Act credit unions have a lien  
19 on shares and deposits for any debts due to them  
20 by him. Second mortgages of real estate are also  
21 accepted as security for credit union loans (46  
22 to 49).

23                   In Quebec the Co-operative Syndicates Act  
24 does not stipulate the amounts which may be loaned  
25 without security; the general practice is to permit  
26 a loan up to \$500.00. Where security is required  
27 it is usual to ask for a co-signer or a pledge of  
28 government bonds or the assignment of insurance  
29 policies or pension rights (60). The average size  
30 of a loan is approximately \$400.00. The terms of

of a loan is approximately \$400.00. The terms of policies or pension rights (60). The average size government bonds or the assignment of insurance it is usual to ask for a co-signer or a pledge of a loan up to \$500.00. Where security is required without security; the general practice is to permit does not stipulate the amounts which may be loaned In Quebec the Co-operative Syndicated Act to 49).

accepted as security for credit union loans (40) by him. Second mortgages of real estate are also on shares and deposits for any debts due to them is usual. Under the Act credit unions have a lien Endorsement of a promissory note by another person to secure loans issued for the purchase of automobiles chattel mortgage is used mainly by credit unions. The is frequently taken, usually in rural areas. The wage or salary an assignment of money's receivable of wages. Where the member is not employed at a commonly used form of security is the assignment mortgage of real estate. However, the most are taken as collateral must be secured by first dollars above the member's shares and deposits which must be secured. Loans in excess of three thousand the standard by-laws loans over two hundred dollars committee and the supervisory committee (21). Under joint meeting of the board of directors, the credit loans to such corporations must be approved by a corporation may become a member of a credit union, Although under Sec. 23 of the Act a



1 payment are from twelve to thirty-six months. A  
2 good deal of discretion is used in granting extensions (62).  
3 It should be noted that whenever a credit union does  
4 not have adequate funds to meet all the requests  
5 for loans, the credit committee must grant the small  
6 loans first (36).

7 In Nova Scotia safeguards are provided  
8 with respect to loans by a credit union to an  
9 association which is a member. The application  
10 for the loan must be considered by a majority of the  
11 members of the credit committee and the board of  
12 directors sitting together but no director or other  
13 officer of the member association or organization  
14 who is a member of the combined body shall vote  
15 respecting a loan to the association of which he is  
16 a director or officer. Furthermore, a loan to an  
17 association or organization shall be made only if  
18 it is approved by a three-fourths vote and if the  
19 registrar consents (S 45). In making loans in Nova  
20 Scotia great emphasis is placed upon the character of  
21 the borrower. This is determined by his record in  
22 the credit union both as to his habits in savings as  
23 well as his record for promptness in the repayment of  
24 past loans along with the general knowledge of the  
25 credit committee as to this standing in the community.  
26 Preference is given to the small borrower. Average  
27 loans range from two hundred to five hundred dollars.  
28 A credit union also considers whether or not the loan  
29 would be of benefit to the borrower or his family and  
30





James G. ...  
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1 also his ability to repay. It is the policy of  
2 the League to discourage the making of long term  
3 mortgage loans but the pressure for this type of  
4 assistance continues. The most common type of  
5 collateral taken by credit unions is a co-maker.  
6 Other types of security may include chattel mortgages,  
7 first mortgages on real estate, assignments of life  
8 insurance, payroll assignments, etc. (40).

9  
10 Borrowing

11 A credit union borrows in order to supple-  
12 ment the savings of its members in order to make loans  
13 to its members. This principle is expressed in  
14 various ways in the briefs (See Sask. p.11). The  
15 conditions under which a British Columbia credit  
16 union can borrow are set out in Sec. 14 of the Act.

17 As expressed in the Alberta Credit Union  
18 League brief (16), the Credit Union Act, Sec. 39  
19 allows, subject to the consent of the supervisor,  
20 a credit union to borrow up to 25 per cent of its  
21 assets on a three-fourths vote of its directors.  
22 It is further provided that 50 per cent of assets  
23 can be borrowed with the consent of three-fourths of  
24 the members present in annual or special meetings.  
25 Sec. 39 of the Act also further provides for a  
26 credit union to borrow up to the total of its  
27 capital investments in excess of its statutory  
28 reserves without the consent of the supervisor.  
29 No Alberta credit union is permitted to incur an  
30 overdraft.



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### Borrowing

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1 In Saskatchewan (21) subject to the  
2 consent of the Registrar of Credit Unions, the  
3 directors of a credit union may, by resolution  
4 borrow for its purposes from any source up to  
5 an amount equivalent to 25 per cent of its capital,  
6 surplus and deposits. Where bonds or securities of  
7 the Government of Canada or of Saskatchewan are  
8 used as collateral, the directors may borrow up to  
9 the market value of such securities without the  
10 approval of the Registrar, and they may also borrow  
11 up to 50 per cent of the paid up value of unen-  
12 cumbered shares held by the credit union in the Sask-  
13 atchewan Co-operative Credit Society also without  
14 the Registrar's consent. The annual meeting of the  
15 credit union, on the unanimous recommendation of  
16 the directors, may authorize increased borrowings  
17 up to 50 per cent of the capital, surplus and  
18 deposits of the credit union.

19 In Manitoba the restrictions on borrowing  
20 by a credit union are set out in Sec. 41. Loans in  
21 the aggregate may equal 25 per cent of the paid up  
22 capital, deposits and surplus, and if approved by a  
23 by-law sanctioned by a vote of not less than three-  
24 quarters of the members present at a general meeting  
25 with a quorum and duly called for considering the  
26 by-law, may equal 50 per cent of the paid up capital,  
27 deposits and surplus. In lieu of a by-law the  
28 higher limit may be unanimously sanctioned in  
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1 very similar and are found in Secs. 34 and 36 of the  
2 Act. Where the total sum borrowed exceeds 25 per  
3 cent of the capital deposited in surplus, approval  
4 must be given by a general meeting by a vote of  
5 not less than two-thirds of the members.

6 Under the Quebec Syndicates Act, Sec. 16,  
7 the total amount of the sum borrowed by a credit union  
8 shall not at any time exceed twice the amount of its  
9 special reserve fund or funds referred to in Sec. 39  
10 and of its paid up and unimpaired capital.

11 In Nova Scotia, (Sec. 49 of the Act) with  
12 the consent of the Registrar of Credit Unions, a  
13 credit union may borrow moneys (a) not exceeding,  
14 in the aggregate, 25 per cent of its combined capital,  
15 surplus and deposits, upon a vote of at least three-  
16 fourths of the members of the board of directors;  
17 and (b) not exceeding, in the aggregate, 50 per cent  
18 of its combined capital, surplus and deposits, upon  
19 a resolution passed by three-fourths of the  
20 members present at an annual or special meeting  
21 called for the purpose of considering such a reso-  
22 lution shall be valid or acted upon unless the same  
23 has been passed by the affirmative votes of such  
24 number of members as constitute a quorum of the  
25 credit union.

#### 26 Investments

27 As a general rule credit unions may invest  
28 any of their funds not required for making loans in  
29 government securities, central credit unions, other  
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the consent of the Registrar of Credit Unions, a credit union may borrow moneys (a) not exceeding, in the aggregate, 25 per cent of its combined capital, surplus and deposits, upon a vote of at least three-fourths of the members of the board of directors;

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members present at an annual or special meeting called for the purpose of considering such a resolution shall be valid or acted upon unless the same has been passed by the affirmative votes of such number of members as constitute a quorum of the credit union.

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As a general rule credit unions may invest any of their funds not required for making loans in Government securities, central credit unions, other



1 co-operatives and in property to be used by the  
2 credit union. In B.C. the details are set out in  
3 Sec. 16 of the Act. In Alberta credit unions may  
4 invest in paid up shares of other credit unions  
5 which are approved for that purpose by the super-  
6 visor and in any investments authorized by the Trustee  
7 Act (Sec. 19).

8 In Saskatchewan (Act, Sec. 13(f)) the  
9 range of securities in which credit unions may invest  
10 is very wide. However, the total amount of invest-  
11 ments made by a credit union pursuant to that pro-  
12 vision, other than stocks, bonds or securities  
13 of the Government of Canada or of Saskatchewan,  
14 must not exceed 50 per cent of the credit union's  
15 capital.

16 In Manitoba (Sec. 4) the powers of a  
17 credit union include investment in any legal  
18 investments authorized by law for trust funds in  
19 Manitoba and the investment to the extent necessary  
20 to meet membership requirements in the shares of  
21 co-operative corporations.

22 In Ontario wide powers of investment  
23 are given and are set out in detail in the brief,  
24 pages 40 to 43. The safeguards set out on page 43  
25 should be noted in particular.

26 In Quebec investments permitted by credit  
27 unions differ somewhat from other provinces (Sec. 40).  
28 Special reference is made to investments for the  
29 erection or repair of churches and other religious  
30 purposes.



Investment in the purchase of shares of other credit unions

invest in paid up shares of other credit unions which are approved for that purpose by the supervisor and in any investments authorized by the Finance Act (Sec. 19).

In Saskatchewan (Act, Sec. 24(2)) the

is very wide. However, the total amount of investments made by a credit union pursuant to these provisions, other than stocks, bonds or securities of the Government of Canada or of Saskatchewan, must not exceed 50 per cent of the credit union's capital.

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1 In Nova Scotia (brief, p. 37) the Credit  
2 Union Act limits each credit union to the types of  
3 investment it can purchase. These are the shares and  
4 deposit receipts of the Credit Union League and any  
5 legal investments authorized by law for trust funds  
6 in Nova Scotia. Apart from investments with the  
7 League the most common forms are bonds of the  
8 Government of Canada and of the Province of Nova  
9 Scotia and debentures of trust companies and savings  
10 and loan associations. It is noted that at the 30th  
11 of September, 1961, credit unions in Nova Scotia had  
12 \$469,666 in investments of which about \$300,000 was  
13 represented by League shares (36).

#### 14 Distribution of Surplus

15 The underlying principle here is that the  
16 members of the credit union should secure credit  
17 as nearly as possible at cost. Although the specific  
18 statutory provisions in the various provinces differ,  
19 the general practice is that after operating expenses  
20 including salaries, office costs and cost of borrowed  
21 money are paid, a portion of the balance is placed  
22 in reserve, a reasonable dividend is paid on shares  
23 and a refund is made to members on borrower interest.

24 In British Columbia details are set forth  
25 in Sec. 34, ss 10 of the Act. In Alberta the pro-  
26 visions regarding distribution of surplus are set  
27 out in secs. 45 and 46 of the Act. They illustrate  
28 the attempt which is made to arrive at equity. Under  
29 Sec. 45 after making provision for the reserve fund  
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Union Act limits each credit union to the types of investment it can purchase. These are the shares and deposit receipts of the Credit Union League and any legal investments authorized by law for trust funds in Nova Scotia. Apart from investments with the League the most common forms are bonds of the Government of Canada and of the Province of Nova Scotia and debentures of trust companies and savings and loan associations. It is noted that at the 30th of September, 1961, credit unions in Nova Scotia had \$469,566 in investments of which about \$200,000 was represented by League shares (36).

Distribution of Surplus

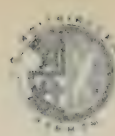
The underlying principle here is that the members of the credit union should secure credit as nearly as possible at cost. Although the specific statutory provisions in the various provinces differ, the general practice is that after operating expenses including salaries, office costs and cost of borrowed money are paid, a portion of the balance is placed in reserve, a reasonable dividend is paid on shares and a refund is made to members on borrower indebtedness. In British Columbia details are set forth in Sec. 34, as 10 of the Act. In Alberta the provisions regarding distribution of surplus are set out in secs. 45 and 46 of the Act. They illustrate the attempt which is made to arrive at equity. Under Sec. 45 after making provision for the reserve fund



1 as required by the Act, and for the educational  
2 fund if any, the board may declare a dividend from the  
3 remainder of the surplus. This recommendation is taken  
4 to the annual meeting and the members may not increase  
5 the dividend but may reduce it on a two-thirds  
6 majority vote. The dividend authorized at the  
7 meeting is paid on all shares. However, where a  
8 dividend of not less than 3 per cent is authorized,  
9 the board may, if the surplus so permits, declare  
10 and allot a rebate of interest paid on loans of all  
11 members during the preceding fiscal year.

12 The unique method of distributing the  
13 surplus of a credit union is well illustrated by  
14 Sec. 83 of the Saskatchewan Act. It provides that  
15 after making provision for a reserve fund, the payment  
16 of dividends on shares, an educational fund, if any,  
17 and an emergency fund, if any, the remainder, if any,  
18 of the surplus shall be divided among the members  
19 as a borrower dividend in proportion to the amount  
20 of interest paid to them to the credit union on  
21 all loans or on specified classes of loans during  
22 the preceding fiscal year.

23 In Ontario (84) the Credit Union Act (Sec.  
24 28(1)) provides that every credit union shall set  
25 aside at least 20 per cent of its yearly net surplus  
26 as a guarantee fund to meet losses until it equals  
27 at least 10 per cent of the total amount received  
28 from members on deposit and as payment for shares.  
29 Frequently (85) after this allocation to the  
30 guarantee fund and the distribution of the surplus



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The unique method of distributing the surplus of a credit union is well illustrated by Sec. 83 of the Saskatchewan Act. It provides that after making provision for a reserve fund, the payment of dividends on shares, an educational fund, if any, and an emergency fund, if any, the remainder, that is, of the surplus shall be divided among the members as a borrower dividend in proportion to the amount of interest paid to them for the credit union on all loans or on specified classes of loans during the preceding fiscal year.

In Ontario (34) the Credit Union Act (Sec. 28(1)) provides that every credit union shall set aside at least 20 per cent of its yearly net surplus as a guarantee fund to meet losses until it equals at least 10 per cent of the total amount received from members on deposit and as payment for shares. Frequently (35) after this allocation to the guarantee fund and the distribution of the surplus



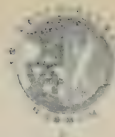


1 is made by way of dividends on shares and rebates  
2 on loan interest paid, there is a balance left in  
3 the undivided earnings account. An increasing  
4 number of credit unions are making a practice of  
5 building this account up as a reserve fund to be  
6 available for future use as the membership might  
7 determine.

8           The distribution of earnings in Manitoba and  
9 Ontario is subject to almost identical requirements  
10 (see Manitoba Act, Sec. 46).

11           In Quebec after providing for reserve  
12 funds the annual meeting determines the amount of  
13 the surplus to be allotted. The guiding principle is,  
14 however, that no profit should be made (brief, 44).

15           In Nova Scotia the provisions regarding  
16 distribution emphasize the importance given to  
17 education. The Act provides that after setting aside  
18 20 per cent of the surplus until the guarantee fund  
19 is equal to not less than 10 per cent of the assets,  
20 the annual meeting may authorize a dividend on  
21 shares not exceeding 5 per cent per annum. Then if  
22 the bylaws so provide an amount not exceeding 10 per  
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Liquidity and Reserves

In view of the services credit unions are required to render, their liquidity position is of course of the utmost importance. In general it may be said that their liquidity position depends on the following: cash on hand and in the bank, money in cash or shares in a central which is available, short term investments, currency of loans, the power to delay withdrawals of shares and deposits and net growth from share investments by members.

The most complete and useful information regarding liquidity has been provided in the B.C. brief and supporting material, especially the Survey Report, financial section p. 47 et seq where liquidity is defined as the ability of the credit union to provide cash to meet all withdrawals under normal conditions. It is first necessary to emphasize the fact that in a credit union the funds come from three sources only, from shares, deposits and borrowings limited by statute. In some provinces such as B.C. the largest part comes from share capital. Share capital is withdrawable but under the rules is subject to the approval of the directors who may require ninety days' notice of intention to redeem shares. Further notice may be required if the capital is impaired or if the inspector approves (11). The practice is, however, to withdraw shares on short notice. Formerly credit unions were required by statute to have at least five per cent of the share



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capital in liquid reserve. By the 1961 Act this was increased to 8 per cent with power in the Lieutenant Governor to increase it to 12 per cent. This change arose out of the study by the survey committee. It is interesting to note that in 1958 the survey committee found that in B.C. reserves at the end of the year exceeded statutory requirements by 43.92 per cent (12).

The second important source of funds is the deposits made by members. Credit unions must hold liquid reserves of 25 per cent against moneys on deposit withdrawable within one year (12). However, many credit unions in B.C. do not take deposits (12).

The third source of funds is from borrowings. Generally such borrowings which credit unions engage in are limited to peak seasonal periods of demand for loans by their members.

Liquidity reserves required by the Act must be retained in cash, on deposit with a bank or with a central credit union or be invested in securities of the Government of Canada or the province of British Columbia or securities, the principal and interest of which are guaranteed by either government. It will be noted, therefore, that the liquidity and soundness of a central is of the utmost importance to the credit unions.

The fact that loans are repayable on a short term basis is important from a liquidity standpoint. In B.C., for instance, it was found from the Survey Report that 85 per cent of the total loans were



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*Nethercut & Young*

*Toronto, Ontario*

1 due to be fully repaid within twenty-seven months  
2 (13) (Survey Report, financial section p. 62).

3 It will be generally noted across Canada that  
4 because of the liquidity required, loans have been  
5 of the personal short term type. For statutory  
6 provisions re liquidity and reserves, see Sec. 34  
7 of the Act.

8 In Alberta under Sec. 41A the board of  
9 directors is required in the manner prescribed by  
10 the standard bylaws to establish and maintain  
11 reserve funds against possible withdrawals from  
12 the share and deposit accounts of members. Article  
13 XII of the standard bylaws sets out the requirements  
14 (S 1B). Twenty per cent of the earnings are set  
15 aside in this fund until at least 10 per cent of  
16 the total shares and deposits held by the credit  
17 unions has been accumulated. When that point is  
18 reached, with the consent of the supervisor, no  
19 further funds need be placed in the reserve fund  
20 (S 41). It is the opinion of the League that 10 per  
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22 reserves for normal requirements in view of large  
23 cash holdings (12).

24 It will be noted that according to the  
25 standard bylaws (S 1B) Article XII provides that  
26 reserves in cash or readily convertible investments  
27 equal to 5 per cent of share capital and 10 per cent  
28 of deposits must be separately maintained. It  
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(2 1B). Twenty per cent of the earnings are set aside in this fund until at least 10 per cent of the total shares and deposits held by the credit unions has been accumulated. When that point is reached, with the consent of the supervisor, no further funds need be placed in the reserve fund (2 41). It is the opinion of the League that 10 per cent of total shares and deposits provides adequate reserves for normal requirements in view of large cash holdings (1B).

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1 means of negotiable orders, a reserve in cash or  
2 readily convertible investments equal to at least  
3 25 per cent of deposits shall be separately maintained  
4 at all times in addition to reserve for paid up  
5 capital (Standard bylaws, Art.XII, Sec. 6, ss. 2).

6 Share money may be withdrawn at any time  
7 but the board of directors may require ninety days'  
8 notice or additional notice if approved by the  
9 supervisor. In the case of deposits money may be  
10 withdrawn at any time but the board may require  
11 thirty days' notice or such additional notice  
12 as may be approved by the supervisor (S 1B, standard  
13 bylaws, Arts. II and III). Alberta credit unions  
14 keep larger reserves than required by the bylaws.  
15 An analysis showed that cash reserves for total  
16 deposits of shares stand at 7.1 per cent and of  
17 assets at 6.37 per cent. Investments stand at  
18 15.5 per cent of deposits and shares and 13.7 per  
19 cent of assets. The credit union analysis also shows  
20 the daily repayment rate on loans to vary from  
21 .26 per cent to .40 per cent of total loans. The  
22 average terms of loans is from one to one and a  
23 half years. The Alberta credit unions consider  
24 this ensures a high liquidity standard (16).  
25 Borrowing is the other source of funds and a credit  
26 union can borrow up to 25 per cent of its assets  
27 on a three-fourths vote of its directors or 50 per  
28 cent with the consent of three-fourths of the  
29 members present at an annual or special meeting.  
30 The borrowing powers are set out in Sec. 39 of the Act.



means of negotiable orders, a reserve in cash or readily convertible investments equal to at least 25 per cent of deposits shall be separately maintained at all times in addition to reserve for paid up capital (Standard bylaws, Art. XII, Sec. 6, sub. 2).

Share money may be withdrawn at any time but the board of directors may require ninety days' notice or additional notice if approved by the supervisor. In the case of deposits money may be withdrawn at any time but the board may require thirty days' notice or such additional notice as may be approved by the supervisor (S.B. standards bylaws, Arts. II and III).

Alberta credit unions keep larger reserves than required by the bylaws. An analysis showed that each reserves for total deposits of shares stand at 7.1 per cent and of assets at 6.37 per cent. Investments stand at 12.5 per cent of deposits and shares and 12.7 per cent of assets. The credit union analysis also shows the daily repayment rate on loans to vary from .25 per cent to .40 per cent of total loans. The average term of loans is from one to one and a half years. The credit union analysis also shows this ensures a high liquidity standard (16).

Borrowing is the other source of funds and a credit union can borrow up to 25 per cent of its assets on a three-fourths vote of its directors or 50 per cent with the consent of three-fourths of the members present at an annual or special meeting.



1 Saskatchewan -- Shares and deposits may  
2 be withdrawn on any day that the office of a credit  
3 union is open for business. However, the directors  
4 may require up to ninety days' notice in case of with-  
5 drawal of shares and to thirty days with respect to  
6 deposits. A credit union in practice keeps its funds  
7 sufficiently liquid to meet all reasonable demands.  
8 Under Sec. 79 of the Act every credit union is  
9 required to maintain a reserve to meet withdrawals  
10 of money in share or deposit account, consisting of  
11 cash on hand or in a chartered bank or in the  
12 Saskatchewan Co-operative Credit Society Limited.  
13 Such reserves shall not at the end of any calendar  
14 month be less than 10 per cent of the liabilities of  
15 the credit unions to its members in respect of  
16 shares and deposits at that time. However, a  
17 larger percentage is required in the larger credit  
18 unions where so-called cheques are in use. Details  
19 are set out in Secs. 79, 80, 80A and 81. As of  
20 December 31st, 1960 liquid assets in cash holdings  
21 and in readily convertible investments of all  
22 credit unions in Saskatchewan amounted to 25.6 per  
23 cent of the total assets of all credit unions and  
24 this was considered adequate to meet all ordinary  
25 demands for withdrawals by members and was more  
26 than required by the Act (24). Furthermore one  
27 of the purposes of establishing the mutual aid fund  
28 in 1953 was to assist credit unions in financial  
29 difficulties to maintain their solvency and to meet  
30 the demands of their members for withdrawals of their





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Saskatchewan -- Shares and deposits may





1 savings (24 to 26).

2           According to the Manitoba League brief,  
3 p. 16, there is no cash or liquid reserve require-  
4 ment for credit unions in Manitoba. The actual  
5 reserve requirements vary. It has been found in  
6 practice that industrial credit unions may safely  
7 operate on a lower cash or liquid reserve than  
8 those in rural areas as the demands of the latter  
9 rise at peak periods. The average cash and liquid  
10 reserve ratios of credit unions in Manitoba is 15 per  
11 cent. If the cash in liquid reserves prove in-  
12 adequate, loans are usually made on a short term  
13 basis from the central or the bank. About 10 per  
14 cent of the credit union assets normally are cash on  
15 hand or on deposit with the central or the bank.  
16 Usually another 5 per cent is normally available from  
17 securities easily saleable.

18           It should be noted that the Act (S 46)  
19 does require a reserve to be built up from earnings  
20 but this is to be used as a reserve against bad  
21 loans (17).

22           As in other provinces a credit union may  
23 require ninety days' notice of intention to withdraw  
24 shares and thirty days' notice of intention to with-  
25 draw deposits and such additional notice as "in  
26 any given emergency, the directors may deem to be  
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1 doubling about every four years (26). A careful  
2 check is kept on loans to see that they are in  
3 a current position.

4 Ontario -- In this province no legal  
5 reserve ratios are required and conventional reserve  
6 ratios vary and are adjusted by the experience of  
7 individual credit unions. In 1960 the statistics  
8 indicate that there was an overall average of 4.6 per  
9 cent of total assets as cash on hand and in the  
10 bank and 4.7 per cent of total assets as deposits  
11 and shares in the Ontario Credit Union League and  
12 the Ontario Co-operative Credit Society. (This  
13 applies to 1027 credit unions). Loans made to  
14 credit unions in 1960 averaged 4.4 per cent of  
15 total liabilities. There are certain restrictions  
16 on borrowing found in Secs. 36 and 38 of the Act.  
17 A credit union may borrow up to 50 per cent of its  
18 capital deposits and surplus, but without membership  
19 approval, may not borrow exceeding 25 per cent of  
20 its capital, deposits and surplus (36). Although  
21 there is no legislation governing cash and liquid  
22 reserves for credit unions in Ontario, it is  
23 reported that there has been no serious liquidity  
24 problem, credit unions having found ample sources  
25 of funds in the centrals. The following is taken  
26 from a report of the policy committee of the Ontario  
27 League dated September 9th, 1961: "Having regard  
28 to the fact that credit unions are autonomous bodies  
29 and that each credit union may make provision for its  
30 own liquidity position, and that access to ample funds



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2 central and other services, it is the opinion of  
3 the committee that, under the present circumstances,  
4 legislation to require all credit unions to maintain  
5 a certain proportion of their funds in liquid form  
6 is not necessary".

7 In Ontario the practice is for member to  
8 withdraw shares on demand. However, under the bylaws  
9 Art. III, ss. 3, the board of directors may require  
10 sixty days' notice of intention to withdraw shares  
11 (54). In Ontario frequently following the dis-  
12 tribution of income by way of dividend on shares  
13 and rebate on loan interest a portion of the  
14 balance is put into a reserve fund to be available  
15 for the future as the membership might determine  
16 (85 and 86).

17 In Quebec the statutory provisions are  
18 rather more flexible. Sec. 39 of the Co-operative  
19 Syndicates Act provides that a credit union may by  
20 bylaw order the creation out of a portion of its  
21 yearly income of one or more funds under such  
22 names as it may select, which funds cannot be wholly  
23 or partially divided among the members except in  
24 case of dissolution. The bylaws shall prescribe  
25 the amount and the manner of forming such funds,  
26 their object and management, the conditions re-  
27 quired to vary the same, the proportion of the yearly  
28 income to be set apart for their accumulation and the  
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1 its annual income to the creation of such funds until  
2 they have reached an amount equal to at least the  
3 maximum of the liabilities represented at any time  
4 by the shares of the association and any other  
5 resources thereof. Many credit unions keep 5 per  
6 cent to 10 per cent of assets in cash. However, there  
7 are periods when their assets may go below the  
8 prescribed reserve and at such times they borrow from  
9 the bank or the Quebec Central Credit Union (67 and 68).  
10 The total amount of the sum which a credit union  
11 can borrow shall not at any time exceed twice the  
12 amount of its special reserve fund created under  
13 sec. 39. Savings entrusted to a credit union by  
14 its members and loans entirely secured by the  
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17 placed on keeping loans current. Terms of repayment  
18 vary from twelve to thirty-six months. Many credit unions  
19 have a special delinquent loan committee (63).

20 Nova Scotia -- there is no requirement in  
21 the Act respecting liquid reserves. However, it  
22 has been the practice of the Credit Union League  
23 and the Government inspectors to encourage credit  
24 unions to keep 20 per cent of their assets in  
25 liquid form. The League has recommended that there  
26 should be 5 per cent of assets in cash and the  
27 remaining in other investments and deposits with  
28 the League. This advice has been followed closely.  
29 During the past four years liquid assets have ranged  
30 from 17.9 per cent to 20.22 per cent (36).



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1 It is the opinion of the Nova Scotia League that  
2 a system of deposit insurance is not significant in  
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SCHEDULE 3

TO THE BRIEF OF NACCU TO  
THE ROYAL COMMISSION ON BANKING AND FINANCE

There appeared in the Financial Post, January 27th, 1962, a chart purporting to show the relative growth of credit unions in relation to trust companies and chartered banks, together with an article. The chart is reproduced on the following page.

The Department of Co-operation and Co-operative Development in Saskatchewan is the only department supervising credit unions which has statisticians associated with it. Accordingly, we requested the Deputy Minister in Saskatchewan to have one of the statisticians examine the chart and the article and deal with the question of relative growth. Also attached is his report together with a chart prepared by him and the supporting figures.



Government of Saskatchewan  
Saskatoon, Saskatchewan

A.304

REPORT

TO THE BRIEF OF MASON TO  
THE ROYAL COMMISSION ON BANKING AND FINANCE

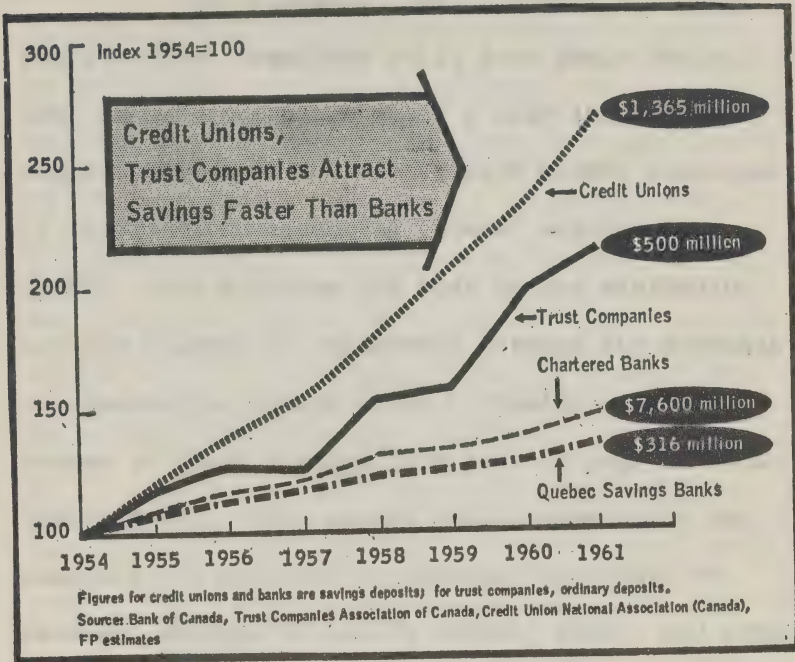
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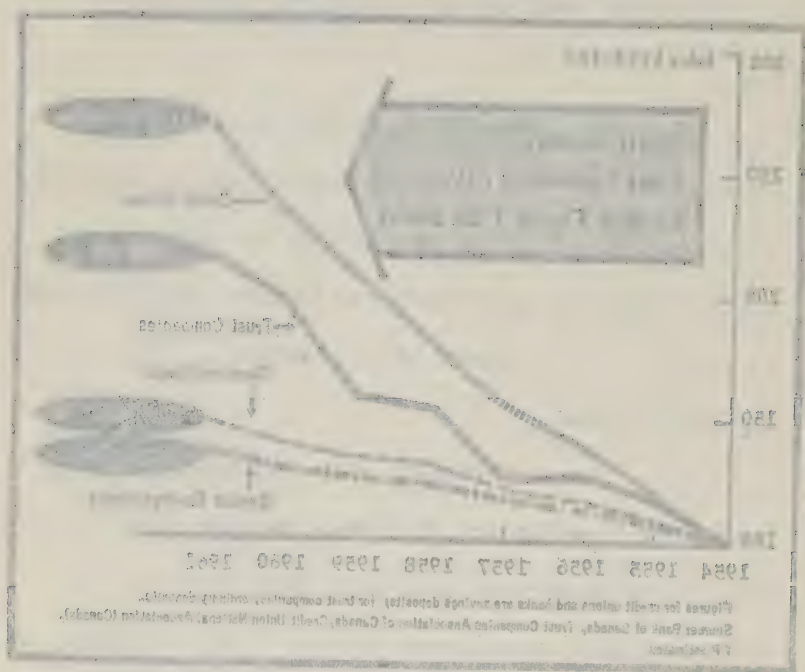


CHART EXTRACTED FROM FINANCIAL POST JANUARY 27th, 1962



For discussion of this chart see annexed material

UNITED STATES DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS





PERSONAL SAVINGS IN BANKS, CREDIT UNIONS,  
AND TRUST COMPANIES IN CANADA

The Financial Post (January 27, 1962) article "Most Canadians Still Sock Their Savings Into Banks", is on the whole a fair and accurate representation of the comparative growth positions of institutions accepting personal savings in Canada. Its headline and body is not misleading but the diagram is incomplete through its emphasis on comparative growth without showing relative shares of total savings from year to year in those institutions. This report should supplement and complete the analysis by showing the growth of personal savings in credit unions, banks, and trust companies in absolute and per cent terms for each of 11 years beginning in 1951.

There are some differences in sources and the types of data used in this report. Quebec Savings Banks have been omitted from the analysis to permit comparisons between savings institutions operating throughout Canada only. If it is felt that they are necessary to the analysis, dollar figures for the years described can be obtained from the Canada Year Book 1960, page 1154. The F. P. article states that index numbers were based at 1954 because "this was the first year trust companies made available separate totals of ordinary savings deposits and guaranteed investment certificates". The base year 1954 is reasonable in that it is a normal year in

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1 terms of growth for the institutions. The writer  
2 was not able to obtain information from the Trust  
3 Companies Association of Canada, however, Bank  
4 of Canada Statistical Summaries show figures on  
5 trust company deposits which seem to be comparable,  
6 and are used in the attached schedule and diagram.  
7 If the figures are not thought to be comparable,  
8 the trust company amounts can be ignored leaving  
9 still useful comparisons between savings in credit  
10 unions and chartered banks. The 1961 estimates  
11 have been taken from the article.

12           The rough diagram and schedule which  
13 have been included in this report show that while  
14 credit union savings have grown rapidly in absolute  
15 terms, in relative terms they are still of minor  
16 significance in relation to the position of chartered  
17 banks. The schedule Personal Savings in Chartered  
18 Banks, Credit Unions and Trust Companies in Canada  
19 shows dollar figures of personal savings in those  
20 institutions and the per cent shares for each of  
21 the yearly totals of the three. These totals and  
22 per cents should not be confused with, or compared  
23 with total personal savings in Canada. Chartered  
24 banks have dropped in their per cent share of  
25 personal savings over 10 per cent to 80.3 per cent in  
26 1961. Nevertheless, they have nearly doubled their  
27 savings with an increase of 3,303 million dollars  
28 from 1951 till 1961. Credit unions more than  
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1 Trust companies absorbed the remaining percentage  
2 lost by banks. . In absolute terms total personal savings  
3 in these institutions nearly doubled in the eleven  
4 year period from 4,672 to 9,465 million dollars.  
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1 Credit Unions and Economic Activity

2                   It has been suggested that it might be  
3 useful to compare or correlate changes in gross national  
4 product and the money supply over a number of years  
5 as a beginning to a determination of the relative  
6 position of credit unions in terms of the growth  
7 of the whole economy. A study of this kind might be  
8 useful to a general analysis of savings and invest-  
9 ment, but its complexity and expense would prohibit  
10 it even before the really difficult job of delineating  
11 the determinants of relative positions for the  
12 various savings institutions. One must keep in mind  
13 that this type of study examines variations in the  
14 policies and operations of institutions on one hand,  
15 and changes in the tastes and preferences of the  
16 population on the other. A study of savings' behavior  
17 and its relationship to individual assets and  
18 motivational patterns of different socio-economic groups  
19 would have to be performed. Further study of varying  
20 institutional objectives would also be necessary,  
21 particularly in view of the limited goals of credit  
22 unions in comparison to banks and other financial  
23 institutions. A correlation study might provide  
24 some interesting relationships which may or may not  
25 be supported by qualitative analysis. To conclude,  
26 this type of study would be useful, but its expense  
27 and complexity compounded by uncertain results may  
28 not provide a useful return on the amount of time  
29 and expense required to do it properly.  
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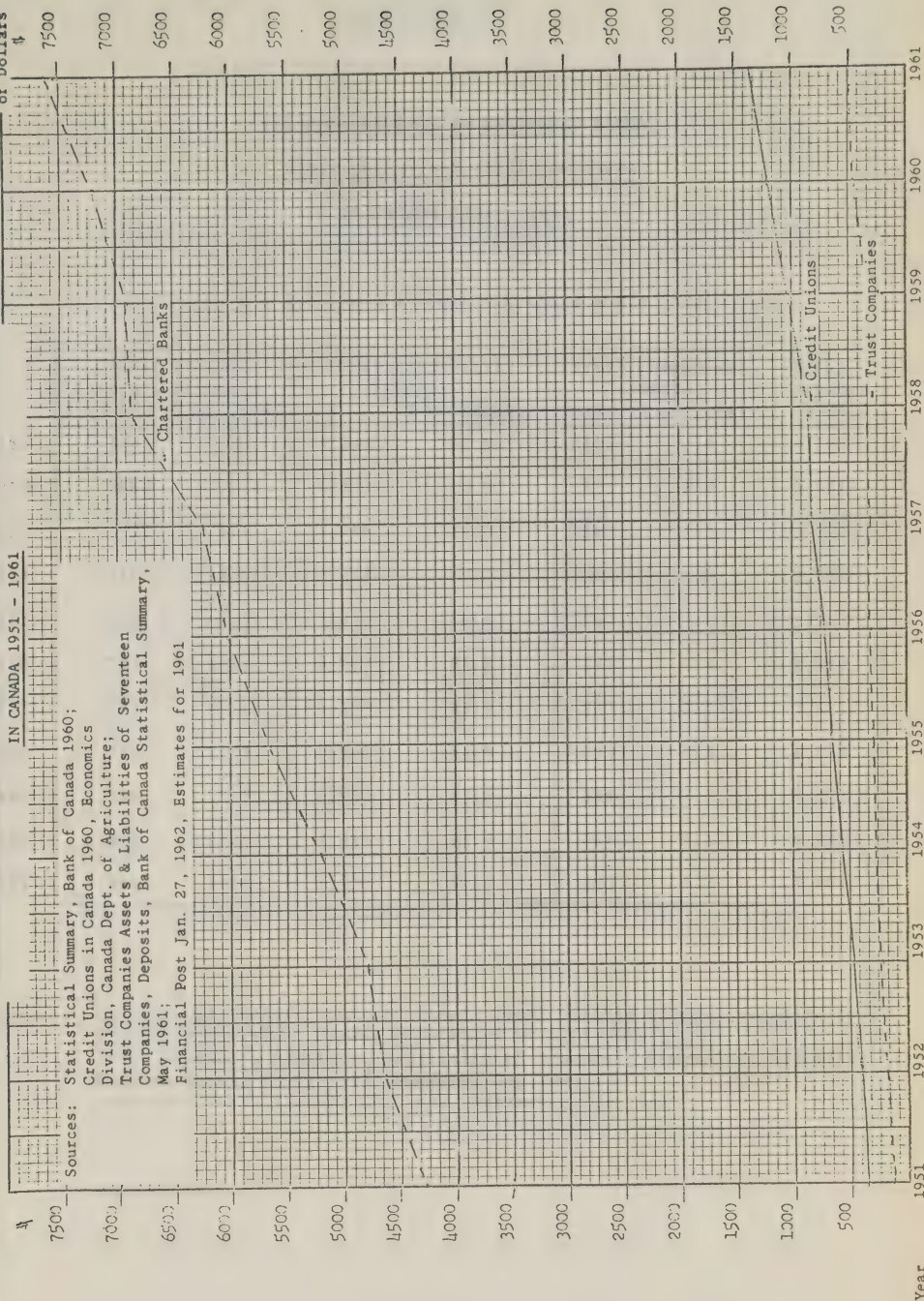


Credit Unions and Economic Activity

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PERSONAL SAVINGS IN CHARTERED BANKS, CREDIT UNIONS AND TRUST COMPANIES









PERSONAL SAVINGS IN CHARTERED BANKS,  
CREDIT UNIONS AND TRUST COMPANIES  
IN CANADA 1951 - 1961

M i l l i o n s   o f   D o l l a r s

	Credit Unions Shares & Deposits		Chartered Banks Savings		Trust Companies Deposits		Total Savings
	\$	% of Total	\$	% of Total	\$	% of Total	100%
1951	334	7.0	4,296	89.6	163	3.4	4,793
1952	396	7.7	4,600	88.9	175	3.4	5,171
1953	453	8.4	4,756	88.3	180	3.3	5,389
1954	511	8.6	5,218	87.4	240	4.0	5,969
1955	603	9.3	5,633	86.6	267	4.1	6,503
1956	710	10.1	6,007	85.8	282	4.1	6,999
1957	787	10.8	6,248	85.4	280	3.8	7,315
1958	915	11.3	6,844	84.4	349	4.3	8,108
1959	1,056	12.7	6,900	83.2	336	4.1	8,292
1960	1,195	13.5	7,215	81.4	455	5.1	8,865
1961	1,365	14.4	7,600	80.3	500	5.3	9,465

Sources: Statistical Summary, Bank of Canada 1960; Credit Unions in Canada 1960, Economics Division, Canada Department of Agriculture; Trust Companies Assets & Liabilities of Seventeen Companies, Deposits, Bank of Canada Statistical Summary, May 1961  
Financial Post, January 27, 1962, Estimates for 1961





SCHEDULE 4

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

SCHEDULE RE INCOME TAX RELATING TO CREDIT UNIONS

As the question of imposing an income  
tax on credit unions is not specifically within the  
terms of reference of this Commission, it is  
respectfully submitted that recommendations on such  
a collateral issue should not be made. Consideration  
of a broad policy of taxation would require a special  
enquiry at which credit unions would be given full  
notice and opportunity to prepare for and make full  
answer to any such proposal.

However, this matter of taxation has been  
raised by members of the Commission during the hearings  
as relating to a possible advantage which credit  
unions enjoy in "competition" with financial  
institutions. It is dealt with in this memorandum  
to the extent deemed necessary to meet that possible  
contention. In the submission of the credit unions  
the contention is untenable. Before examining  
the contention, however, it is relevant to consider  
the history of the exemption of credit unions from  
taxation under the Income Tax Act and the question  
whether or not they do have any income within the  
meaning of that act.

History

The income of credit unions and caisses  
populaires has, for good reason, long been exempt



SCHEDULE 4

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

SCHEDULE 4B - INCOME TAX RELATING TO CREDIT UNIONS

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the contention, however, it is relevant to consider  
the history of the exemption of credit unions from  
taxation under the Income Tax Act and the question  
whether or not they do have any income within the  
meaning of that act.

History

The income of credit unions and co-ops  
popularly has, for good reason, long been exempt





1 from the payment of income tax.

2 The Income War Tax Act ((1917) c. 28 as  
3 amended ) sec. 4 (q) exempted from taxation "the  
4 income of any banking institution organized under  
5 co-operative provincial legislation which derives  
6 its revenue from loans made primarily to members  
7 residing within the territorial limits within the  
8 province to which the institution is restricted  
9 from carrying on its business." The term "banking  
10 institution" found in sec. 4 (q) was apparently  
11 used on the ground that when the section was  
12 enacted credit union development had taken place  
13 chiefly in Quebec where credit unions were known  
14 as "caisses populaires" or "people's banks".

15 In 1945 the Royal Commission on Co-  
16 operatives made an intensive study of the tax  
17 position of credit unions and other co-operative  
18 organizations. Although many and vigorous were  
19 the protests made to the Commission against  
20 exemptions or concessions in favour of co-  
21 operatives generally, it is significant that the  
22 Commission was able to report as follows: (p. 52):  
23 "No submissions were made to the Commission from  
24 business interests expressing opposition to credit  
25 unions or claiming that credit unions should be  
26 taxed on the ground that they are competing with  
27 other types of business enterprise."

28 After considering a great deal of evidence  
29 regarding the specialized services which credit  
30 unions can and do render to their members, the



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The Income War Tax Act ((1917) c. 28 as amended) sec. 4 (c) exempted from taxation "the income of any banking institution organized under co-operative provincial legislation which derives its revenue from loans made primarily to members residing within the territorial limits within the province to which the institution is restricted from carrying on its business." The term "banking institution" found in sec. 4 (c) was apparently used on the ground that when the section was enacted credit union development had taken place chiefly in Quebec where credit unions were known as "caisses populaires" or "people's banks".

In 1945 the Royal Commission on Co-operative made an intensive study of the tax position of credit unions and other co-operative organizations. Although many and vigorous were the protests made to the Commission against exemptions or concessions in favour of co-operatives generally, it is significant that the Commission was able to report as follows: (p. 52): "No submissions were made to the Commission from business interests expressing opposition to credit unions or claiming that credit unions should be taxed on the ground that they are competing with other types of business enterprises."

After considering a great deal of evidence regarding the specialized services which credit unions can and do render to their members, the



Commission made the following finding (p. 52):

" We are satisfied that credit unions perform a highly useful function in assisting people who are unable to take effective advantage of savings and loan facilities provided by other lending institutions. We are also satisfied that credit unions are not displacing any other type of business enterprise, except to provide an alternative source of loans in a field where individual money lenders or lending institutions do not provide similar credit facilities at comparable net rates. It is clear, therefore, that unions provide a useful supplement to other lending institutions and that the continued development of credit unions is desirable from the standpoint of the public interest."

It is also significant that the Commission not only recommended that the exemption under Sec. 4 (q) be continued, but that it be amended to make it clear (p. 53): "(a) that it includes federations whose membership may comprise other credit unions, co-operative associations, parishes, school districts and other similar bodies (b) that organizations excepted thereunder must derive their revenues primarily from loans made to members."

As an example of a federation performing the function of a central credit union for its members, the Commission mentioned the Saskatchewan Co-operative Credit Society Limited (p. 49).



Commission made the following finding (p. 52):

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school districts and other similar bodies (b) that

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As an example of a federation performing

the function of a central credit union for its

Co-operative Credit Society Limited (p. 49).





1 Present Exemption

2 The present exemptive provision in the  
3 Income Tax Act follows closely the recommendation  
4 of the Commission and is as follows:

5 Sec. 62, ss.1, clause k -- "No tax is payable  
6 under this Part upon the taxable income of  
7 a person for a period when that person was  
8 a corporation or association incorporated  
9 or organized as a credit union or co-  
10 operative credit society if

11 (i) it was restricted to carrying on business  
12 in one province and it derived its  
13 revenues primarily from

14 (A) loans made to, or cashing cheques for,  
15 members residing within the province,

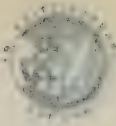
16 (B) bonds of, or guaranteed by, the  
17 government of Canada or a province, or

18 (C) loans made to a co-operative credit  
19 society of which it is a member, or

20 (ii) the members thereof were corporations or  
21 associations

22 (A) incorporated or organized as credit  
23 unions substantially all of which  
24 derived their revenues primarily from  
25 loans made to members or from bonds  
26 of, or guaranteed by, the Government of  
27 Canada or a province,

28 (B) incorporated, organized or registered  
29 under provincial co-operative legis-  
30 lation or governed by such legislation, or



Income Tax Act

The present exemptive provision in the Income Tax Act follows closely the recommendation of the Commission and is as follows:

Sec. 62, as amended, clause K -- "No tax is payable under this Part upon the taxable income of a person for a period when that person was a corporation or association incorporated or organized as a credit union or co-operative credit society if

(1) it was restricted to carrying on business in one province and it derived its revenues primarily from

(A) loans made to, or cashing cheques for, members residing within the province, (B) bonds of, or guaranteed by, the

Government of Canada or a province, or (C) loans made to a co-operative credit society of which it is a member, or

(2) the members thereof were corporations or associations

(A) incorporated or organized as credit unions substantially all of which

derived their revenues primarily from loans made to members or from bonds of, or guaranteed by, the Government of Canada or a province,

(B) incorporated, organized or registered under provincial co-operative legis-

lation or governed by such legislation, or



1 (C) incorporated or organized for  
2 charitable purposes, or were corporations  
3 or associations no part of the income  
4 of which was payable to, or otherwise  
5 benefited personally, any shareholder  
6 or member thereof."

7  
8 The Commission found that credit unions  
9 returned to their members a very high proportion of  
10 their surplus earnings. It found, however, that  
11 in some cases they retained amounts which appeared  
12 to be larger than required for reserves against bad  
13 loans and losses on the basis of past experience.  
14 The Commission considered, however, that it was  
15 not desirable to discourage the accumulation of  
16 reserves to protect the savings of members who,  
17 for the most part, received small or very moderate  
18 incomes (p. 53).

19 Although the Royal Commission stated in  
20 1945 that it was clear that the continued development  
21 of credit unions was desirable from the standpoint  
22 of the public interest, it should be noted that by  
23 1960 in spite of their tax exempt position, only  
24 13.9 per cent of the population of Canada were members  
25 of credit unions. It is submitted that this is the  
26 percentage which needed these services and were pre-  
27 pared to go to the trouble of creating and operating  
28 these self help organizations.

29 It is significant that the exemption relating  
30 to credit unions is grouped in section 62 of the Act



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1 along with other organizations operating in the  
2 public interest and not engaged in business, including  
3 boards of trade, charitable organizations, low cost  
4 housing corporations, non profit corporations for  
5 scientific research, labour organizations, farmers'  
6 and fishermen's insurers and certain mutual insurance  
7 corporations. It is clear that the purpose of the  
8 exemption is to encourage the creation and operation  
9 of all of these organizations in the public interest  
10 and a recognition that credit unions are not engaged  
11 in any business yielding an income within the  
12 meaning of the Act.

13 Credit Unions Do Not Have Income

14 Section 62 (1) (k) of the Income Tax Act  
15 quoted above must be relied on only if a credit  
16 union has income. It is submitted that credit  
17 unions operate in such a manner that they do not, on  
18 the legal authorities hereinafter referred to,  
19 have any net income at all within the meaning of  
20 the Income Tax Act and apart altogether from the  
21 exemption provision are therefore not taxable.

22 A useful test as to whether an amount  
23 received by the person has the quality of income was  
24 laid down by the Supreme Court of the United States  
25 by Mr. Justice Brandeis in the case of Brown v  
26 Helvering (1934, 291 U.S. 193). The test is as  
27 follows: "Is his right to it absolute and under no  
28 restriction, contractual or otherwise, as to its  
29 disposition, use or enjoyment? To put it in another  
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1 as an item of profit or gain from his business, as long  
2 as he holds it subject to specific and unfulfilled  
3 conditions and his right to retain it and apply it  
4 to his own use has not yet accrued and may never  
5 accrue?" This principle has been applied in taxation  
6 cases by the Canadian courts in Canadian Fruit  
7 Distributors Limited v Minister of National Revenue,  
8 1954 Ex. C.R. 551 and the Horse Co-operative  
9 Marketing Association Limited v Minister of National  
10 Revenue, 1956 Ex C.R. 393.

11 It is submitted that under this test a  
12 credit union does not have income for the reasons  
13 stated below. In any event it is submitted that  
14 a credit union has the essential elements to  
15 constitute a mutual and therefore has itself no  
16 income.

17 In the case of Stanley Mutual Insurance  
18 Company v. Minister of National Revenue, 1953 1  
19 S.C.R. 442, Mr. Justice Locke in giving the judg-  
20 ment of the Court adopted the language of Lord  
21 Watson as follows:

22 " When a number of individuals agree to  
23 contribute funds for a common purpose such as  
24 the payment of annuities or of capital sums  
25 to some or all of them on the occurrence of  
26 events certain or uncertain and stipulate  
27 that their contribution so far as not required  
28 for that purpose shall be repaid to them  
29 I cannot conceive why they should be regarded  
30 as profits .... In my opinion the member of





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1 "the appellant company when he pays a  
2 premium makes a ratable contribution to  
3 a common fund in which he and his co-partner  
4 are jointly interested and which is divisible  
5 among them at the times and under the condi-  
6 tions specified in their policies."

7 A society very similar to a credit union  
8 was involved in the case of Bear and Others v  
9 Bromley (1952 L.J.Q.B. 21). The head note in  
10 that case stated "A society consisting of more than  
11 twenty-five members, raised money by subscription  
12 amongst its shareholders and out of the money  
13 so raised made loans to its members at interest.  
14 Upon such loans premiums also were payable by monthly  
15 instalments and fines were incurred for default of  
16 payments. All the moneys arising from interest,  
17 premium and fines went into the general fund of  
18 the society." In that case it was held that the  
19 society was not a company "established for any  
20 purpose of profit" within the meaning of the  
21 7 and 8 Victoria c. 110 S. 2 and therefore that it  
22 did not require to be registered under that act.

23 In a credit union the individuals con-  
24 tributing to the funds for a common purpose and  
25 the individuals entitled to benefit therefrom are  
26 the same people, all being members. It is submitted  
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28 partners and the corporate credit union is a mere  
29 agency or legal entity representing the aggregate  
30 of the members and the charter and bylaws are simply



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In a credit union the individuals contributing to the funds for a common purpose and the individuals entitled to benefit therefrom are the same people, all being members. It is submitted that members of credit unions are in effect co-partners and the corporate credit union is a mere agency or legal entity representing the aggregate of the members and the charter and bylaws are simply



1 machinery through which the members can conveniently  
2 carry out their mutual arrangement.

3           There is a vast difference between an  
4 ordinary business enterprise established for the  
5 purpose of making a profit and a credit union. It  
6 will be recalled that the object of a credit union  
7 is the promotion of thrift among its members and  
8 the creation of a source of credit for its members  
9 at legitimate rates of interest exclusively for pro-  
10 vident and productive purposes. The method of  
11 operation for the members is to contribute to a  
12 fund for their mutual advantage. The credit union  
13 has no purpose of its own except as machinery in  
14 the hands of its members. It has nothing left after  
15 the members get what they are entitled to either  
16 during operations or on winding up. It is at all  
17 times controlled by the users. The entire surplus  
18 arising from operations belongs to the members and  
19 is either used for their protection or on  
20 liquidation is distributed to them. It has not  
21 right to use reserves or undivided surplus for its  
22 own use except as permitted by agreement of the  
23 members pursuant to the rules while it is operating.  
24 The case of the Vancouver School Teachers' Medical  
25 Services Association v City of Vancouver and Donald  
26 W. McQueen 1960 21 DLR 355 is useful in showing the  
27 distinction between a business and a service  
28 association such as the teachers that organized for  
29 their mutual benefit. Although income tax was not  
30 involved, the judgment emphasizes the point that a





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1       taxation statute must be strictly interpreted.

2       Mr. Justice Coady in giving judgment stated that if  
3       the society was not carried on for profit it was  
4       immaterial whether or not the individual members  
5       of the society obtained some benefit or advantage  
6       by reason of the activities of the society. In a  
7       credit union the members do obtain mutual benefits  
8       but they are not engaged in business in a normal  
9       sense in which that word is used. There is no  
10      profit because (1) there are no persons from whom a  
11      profit can be made; (2) the credit union is not  
12      entitled to use the funds except for the security  
13      and benefit of members.

14      Credit Unions Have No "Competitive" Advantage Taxwise

15               The real contention to be met is not that  
16      credit unions have a tax advantage but rather  
17      whether by virtue of operating on a non-profit  
18      oriented basis they have advantages.

19               That advantages accrue from operating  
20      at cost on a mutual basis, is self evident. How-  
21      ever, such advantage is relative. In calculating  
22      that advantage, vis-a-vis the advantages of  
23      financial institutions which are profit oriented  
24      the following should be taken into account:

25               1. Up to the present time, as far as we  
26      are aware, no one has publicly refuted or contested  
27      the finding of a Royal Commission on Co-operatives  
28      which found after a thorough investigation that  
29      "the continued development of credit unions is  
30      desirable from the standpoint of the public interest"



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that advantage, vis-a-vis the advantages of  
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the credit union is at a disadvantage.  
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are aware, no one has publicly refused or contested  
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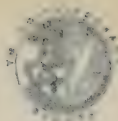
1 and that tax exemption provisions should continue  
2 to apply to them.

3 2. Credit unions are organized amongst persons  
4 of modest means under provincial statutes so  
5 framed as to assure that they will operate solely  
6 for the promotion of thrift and be a source of  
7 credit at reasonable rates for provident and pro-  
8 ductive purposes amongst their members.

9 3. Credit unions operate almost entirely  
10 on the basis of using their own funds for their own  
11 members and do not seek to profit from using the  
12 funds of others.

13 4. Credit unions perform a socially desirable  
14 function by providing loans which other institutions  
15 did not generally undertake until they were guaranteed  
16 in part by government (e.g. Fishermen's, Farm and Home  
17 Improvement loans).

18 5. Profit oriented financial institutions  
19 have income from which to pay tax. Generally they  
20 take the preferred risks or are compensated for  
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SCHEDULE 5

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

MEMORANDUM RE CREDIT UNION PROVINCIAL MUTUAL

AID AND STABILIZATION FUNDS

Provincial stabilization funds for credit unions are of rather recent origin in Canada, although in Saskatchewan and Prince Edward Island legislation providing for such funds has been in force for many years. In other provinces legislation has been enacted recently or is being contemplated. In still other provinces voluntary provision is made for such funds. There is little uniformity in these funds except that their general purpose is to strengthen the credit union movement in the various provinces.

In Saskatchewan in 1952 the Credit Union Act was amended to provide for the establishment of a mutual aid fund, conditional upon at least two-thirds of the credit unions voting on the proposal being in favour of it. When the vote was taken approximately 80 per cent of the credit unions representing about 80 per cent of the members voted in favour of the establishment of the fund and it went into operation in 1953. The statutory provisions relating to the fund are found in Sections 100 to 114 of the Act. The fund is administered by a mutual aid board consisting of five members appointed by the



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In Saskatchewan in 1952 the Credit Union Act was amended to provide for the establishment of a mutual aid fund, conditional upon at least two-thirds of the credit unions voting on the proposal being in favour of it. When the vote was taken approximately 80 per cent of the credit unions representing about 80 per cent of the members voted in favour of the establishment of the fund and it went into operation in 1953. The statutory provision relating to the fund are found in Sections 100 to 114 of the Act. The fund is administered by a mutual aid board consisting of five members appointed by the



1 Lieutenant Governor in Council. Three of the  
2 members are persons nominated by the board of  
3 directors of the Credit Union League of Saskatchewan  
4 and one nominated by the board of directors of  
5 Saskatchewan Co-operative Credit Society Limited.  
6 When the board was established the nominees of the  
7 League held office for three years, the nominee of  
8 the Credit Society for two years and the other  
9 member for one year, thereafter appointments were  
10 for three years.

11 The fund was established for the purpose  
12 of protecting and stabilizing credit unions in  
13 financial difficulties and assisting in the payment  
14 of any losses suffered by members of credit unions  
15 in liquidation (Sec.101).

16 Until the fund is equal to one per cent  
17 of the total assets from time to time of all credit  
18 unions incorporated under the Act, assessments are  
19 on the following basis: Each year the mutual aid  
20 board assesses and levies upon each credit union such  
21 sum as the board determines not exceeding 5 per cent  
22 of the surplus of the credit union. This is the net  
23 surplus arrived at after paying all expenses  
24 including interest, if any, on deposits and after  
25 making proper allowance for depreciation.

26 In practice the assistance given by the mutual  
27 aid board from the fund may take the form of interest  
28 free loans or loans at reduced rates, grants in  
29 aid and payments to members in lieu of the savings  
30 they may have with the credit union in the form of





Lieutenant Governor in Council. Three of the members are persons nominated by the board of directors of the Credit Union League of Saskatchewan and one nominated by the board of directors of the Credit Union League of Saskatchewan. When the board was established the nominees of the League held office for three years, the nominee of the Credit Society for two years and the other member for one year, thereafter appointments were for three years.

The fund was established for the purpose of protecting and stabilizing credit unions in financial difficulties and assisting in the payment of any losses suffered by members of credit unions in liquidation (Sec. 101).

Until the fund is equal to one per cent of the total assets from time to time of all credit unions incorporated under the Act, assessments are on the following basis: Each year the mutual aid board assesses and levies upon each credit union such sum as the board determines not exceeding 5 per cent of the surplus of the credit union. This is the net surplus arrived at after paying all expenses including interest, if any, on deposits and after making proper allowance for depreciation.

In practice the assistance given by the mutual aid board from the fund may take the form of interest free loans or loans at reduced rates, grants in aid and payments to members in lieu of the savings they may have with the credit union in the form of





1 shares and deposits. A complete report of the operations  
2 of the mutual aid board will be found in Schedule L  
3 of the brief presented by the Commission by the  
4 Saskatchewan Credit Union League.

5 The League reports that the mutual aid  
6 fund has safeguarded the solvency of credit unions  
7 in Saskatchewan since its inception and has increased  
8 confidence in the movement among both the members  
9 and the public. The League also reports that the  
10 fact that there has been no loss of member equities  
11 in any credit union in Saskatchewan since the  
12 inception of the movement in 1937 is due in no small  
13 measure to the operations of the mutual aid fund. It  
14 is the opinion of the League that the maintenance  
15 of the fund is essential to the welfare of credit  
16 unions under conditions that prevail in Saskatchewan  
17 and that it will help to assure the success of the  
18 movement in future.

19 The Credit Union Societies Act of Prince  
20 Edward Island (R.S.P.E.I. 1951 c. 38) also contains  
21 detailed provisions for the establishment and operation of  
22 a stabilization fund for credit unions. The statutory  
23 provisions relating to the fund are found in Sec. 56  
24 to Sec. 68 of the Act. The fund known as the Credit  
25 Union Stabilization Fund is administered by a board  
26 consisting of the president, vice president, secretary  
27 and managing director of the Prince Edward Island  
28 Credit Union League. The objects of the fund are  
29 both preventive and remedial. The board may give  
30 assistance where there is an abnormal increase in



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The League reports that the mutual aid fund has safeguarded the solvency of credit unions in Saskatchewan since its inception and has increased confidence in the movement among both the members and the public. The League also reports that the fact that there has been no loss of member equities in any credit union in Saskatchewan since the inception of the movement in 1937 is due in no small measure to the operations of the mutual aid fund. It is the opinion of the League that the maintenance of the fund is essential to the welfare of credit unions under conditions that prevail in Saskatchewan and that it will help to assure the success of the movement in future.

The Credit Union Societies Act of Prince Edward Island (R.S.P.E.I. 1951 c. 38) also contains provisions relating to the fund for credit unions. The statutory provisions relating to the fund are found in Sec. 52 to Sec. 68 of the Act. The fund known as the Credit Union Stabilization Fund is administered by a board consisting of the president, vice president, secretary and managing director of the Prince Edward Island Credit Union League. The objects of the fund are both preventive and remedial. The board may give assistance where there is an abnormal increase in



1 demand for withdrawals of deposits from a credit  
2 union or for the redemption of shares, in the event  
3 of the relocation, serious disruption or closure  
4 of an occupation or industry upon which the majority  
5 of the members of the credit union are dependent  
6 for their livelihood, or it may also provide other  
7 help to credit unions in difficulty, and may in  
8 certain cases where a credit union is dissolved  
9 make payment from the fund for the purpose of paying  
10 all creditors including shareholders and depositors  
11 in the full amount of such liabilities. As it appears  
12 that the Prince Edward Island League has not filed  
13 a brief with the Royal Commission, information is  
14 not available as to the actual operation of the  
15 stabilization fund.

16 In British Columbia it was recognized  
17 that as credit unions grow in size and number,  
18 stability would be strengthened by provincial  
19 reserve fund. Therefore, in 1959 at the instigation  
20 of the credit unions the Credit Union Reserve Board  
21 was created. The consent of 85 per cent in number  
22 and value of assets of credit unions was required  
23 before the amendment was proclaimed. Detailed  
24 statutory provisions relating to the board which  
25 is a body corporate are found in the B.C. credit  
26 Union Act, Secs. 78 to 89. The board consists  
27 of five members appointed by the Lieutenant Governor  
28 in Council and each member holds office for one  
29 year or until his successor is appointed. Three  
30 members are required to be representatives of the





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1 credit union. The members of the board serve  
2 without remuneration and are entitled only to be  
3 reimbursed for out of pocket expenses. Credit  
4 unions are assessed annually by the board according  
5 to a formula set out in Sec. 80 of the Act. The  
6 fund created is known as the Credit Union Provincial  
7 Reserve Fund. The uses to which it can be put are  
8 very significant and are set out in Sec. 83, ss. 1  
9 as follows:

10 " The Board may, in its discretion, make  
11 payments from the fund for the purpose of  
12 giving financial aid by way of loans and  
13 grants in aid, or, where in its opinion it  
14 is justified, a combination thereof, to  
15 a credit union which, in the opinion of  
16 the board is in financial difficulty and  
17 requires assistance from the fund in order  
18 to maintain its solvency, meet claims of  
19 its members for withdrawal of their deposits,  
20 or to redeem all or some of its shares, or  
21 any or all of these things, if the board  
22 upon enquiry is reasonably satisfied that  
23 (a) the credit union applying for financial  
24 aid is about to be dissolved, wound  
25 up, or liquidated and that, without  
26 financial aid being given from the  
27 fund, an unreasonable delay will ensue,  
28 upon winding up or liquidation of the  
29 credit union in the repayment to  
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" The Board may, in its discretion, make payments from the fund for the purpose of giving financial aid by way of loans and grants in aid, or, where in its opinion it is justified, a combination thereof, to a credit union which, in the opinion of the board is in financial difficulty and requires assistance from the fund in order to maintain its solvency, meet claims of its members for withdrawal of their deposits, or to redeem all or some of its shares, or any or all of these things, if the board upon enquiry is reasonably satisfied that (a) the credit union applying for financial aid is about to be dissolved, wound up, or liquidated and that, without financial aid being given from the fund, an unreasonable delay will ensue, upon winding up or liquidation of the credit union in the repayment to the members thereof of the whole of their



1 " deposits in and substantially the whole  
2 of the moneys invested by them in shares of  
3 the credit union; or  
4 (b) the giving of financial aid from the  
5 fund to the credit union will prevent  
6 the winding up or liquidation of the  
7 credit union, and that the prevention  
8 will be to the benefit of the members  
9 of the credit union, and that any  
10 moneys loaned to the credit union  
11 by the board from the fund will be  
12 repaid; or  
13 (c) other conditions have given rise to  
14 the need for financial assistance and  
15 the making of the payment has been  
16 approved by the Lieutenant Governor  
17 in Council."

18  
19 Already assistance has been given to a  
20 number of credit unions. (See Schedule 12 B.C.  
21 Credit Union League brief). The board emphasizes  
22 its preventive rather than its remedial functions.  
23 It is significant that the credit unions themselves  
24 promoted the creation of the fund and have urged  
25 that the board have even wider powers in the  
26 interests of the provincial credit union movement as  
27 a whole.

28 Alberta credit unions have also created  
29 a stabilization fund. This was established on  
30 January 1st, 1959. The League endeavoured to have



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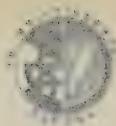
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1 the details of the plan set forth in the Act but  
2 this was not possible. However, Sec. 79, ss. 3  
3 of the Act provides that a federation (a League)  
4 that includes 60 per cent or more of the credit  
5 unions in Alberta may, with the consent of the  
6 supervisor, establish and administer a stabilization  
7 fund for the purpose of providing financial aid  
8 to credit unions. Sec. 41, ss<sup>4</sup> provides that where  
9 a credit union is participating in a stabilization  
10 fund established pursuant to sec. 79, a sum not  
11 exceeding 5 per cent of the net earnings may be  
12 paid into the stabilization fund and the allocation  
13 to the reserve fund which is required by Sec. 41,  
14 ss<sup>1</sup> may be reduced by a like amount. Details of  
15 the plan are set out in Articles XXVIII to XXXII  
16 inclusive of the League constitution. Initially  
17 it was planned to raise a fund of \$100,000 but  
18 the objective has been raised to \$200,000. All  
19 credit unions that are members of the League must  
20 participate in the plan and non League members may  
21 participate on a voluntary basis. The plan is  
22 administered by a board of trustees appointed  
23 by the directors of the League, the Central and  
24 the Minister. The stabilization fund gives four  
25 kinds of assistance, namely, liquidations,  
26 amalgamations, revivals and stabilization. To date  
27 the fund has assisted in six liquidations or  
28 dissolutions and in each case has purchased the  
29 assets of the credit union dissolving and provided  
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2 fund was not established until 1961, prior to that  
3 time the Credit Union League had on a number of  
4 occasions assumed the functions of stabilization  
5 service to credit unions by providing technical  
6 assistance, merger techniques and through the  
7 sale and purchase of assets and other methods.  
8 In March of 1961 the League at its annual meeting  
9 authorized the board of directors to establish  
10 a stabilization fund for the purpose of making  
11 loans, advances or grants in aid to participating  
12 credit unions, that in the opinion of the board,  
13 are in financial difficulties and require assistance  
14 from the fund in order to maintain their solvency  
15 and to meet claims of their members for withdrawal  
16 of their shares and deposits in the ordinary course  
17 of business and also assisting participating credit  
18 unions which are in the process of liquidation  
19 as a result of financial difficulties and are unable  
20 to meet, from their own resources, the claims of  
21 their members for withdrawals of shares and deposits  
22 by paying to such credit unions sums in lieu of  
23 their losses as the board deems fair and reasonable.  
24 Any credit union that is a member of the League may  
25 be entitled to participate. The fund is administered  
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27 pating credit unions are required to invest in the  
28 fund one-half of one per cent of their shares and  
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1 September 9th, 1961, the board of directors deter-  
2 mined that credit unions desiring to participate  
3 in the fund would be required to invest on the  
4 basis of one-tenth of one per cent of shares and  
5 deposits as of December 31st, 1960. By December 31st,  
6 1961, four hundred and eighty five credit unions had  
7 applied for participation in the fund having  
8 invested \$73,439.13. At the time the League filed its  
9 brief with the Royal Commission there had been no  
10 demands made against the funds (See Credit Union  
11 League brief, pages 57 to 60).

12 It should be noted that in Manitoba under  
13 Sec. 46, ss. 9 a credit union can set up an extra-  
14 ordinary fund. Under Sec. 51, ss2, cl. (c) Nova  
15 Scotia credit unions can create an emergency fund.  
16 Under Sec. 39 of the Syndicates Act Quebec credit  
17 unions may create special funds.

18 While ultimately the possibility of  
19 creating a voluntary national stabilization fund  
20 to permit the pooling of risk in accordance with  
21 credit union principle should be kept in mind, it  
22 would appear that provincial stabilization funds  
23 should be more firmly established before any  
24 extension is considered.

25 One important characteristic of all these  
26 provincial stabilization funds is that they are  
27 designed to rehabilitate a credit union which gets in  
28 trouble, and are not limited merely to prevent  
29 losses to members.  
30



September 25th, 1961, the board of directors determined that credit unions desiring to participate in the fund would be required to invest on the basis of one-tenth of one per cent of shares and deposits as of December 31st, 1960. By December 31st, 1961, four hundred and eighty five credit unions had applied for participation in the fund having invested \$73,439.13. At the time the League filed its brief with the Royal Commission there had been no demands made against the funds (See Credit Union League brief, pages 57 to 60).

It should be noted that in Manitoba under Sec. 46, as amended, a credit union can set up an extraordinary fund. Under Sec. 51, sub. cl. (c) Nova Scotia credit unions can create an emergency fund. Under Sec. 39 of the Syndicates Act Quebec credit unions may create special funds.

It is suggested that in creating a voluntary national stabilization fund to permit the pooling of risk in accordance with credit union principle should be kept in mind, it would appear that provincial stabilization funds should be more firmly established before any extension is considered.

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SCHEDULE 6

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

EXTERNAL CONTROL AND INSPECTION OF CREDIT UNIONS

(Note - Briefs are not yet available from  
New Brunswick, Prince Edward Island and  
Newfoundland. Abbreviations are used to  
indicate provinces. Figures in brackets  
indicate page of brief. Other references  
are as indicated to provincial credit union acts)

The B. C. Credit Union Act (S. 41 and 42)  
provides for the appointment of an inspector of  
credit unions who shall, annually and more fre-  
quently if deemed necessary or expedient, visit  
and examine personally, or by someone authorized  
by him, every credit union. This inspection  
includes investigation of its books, accounts,  
assets, securities, documents and affairs, the  
condition and resources of the credit union  
generally and as to whether the requirements of its  
constitution and rules and of law have been  
complied with. The inspector has wide powers and  
also the minister, but safeguards are provided  
through an appeal to the court, in certain cases  
under the provisions of Section 44. As pointed  
out in the B. C. brief the inspector has also  
wide authority over the practices of credit unions  
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Section 5

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

EXTERNAL CONTROL AND INSPECTION OF CREDIT UNIONS

(Note - Briefs are not yet available from  
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1 supervision of its accounts and the payment of  
2 dividends as well as the power to order an audit. (8).  
3 Although most of the large credit unions now employ an  
4 independent qualified auditor, the Minister, being  
5 the Attorney General, has under Sec. 29, ss. 3, of  
6 the Act, authority to require such an auditor to  
7 be appointed by all credit unions of such size or  
8 type as he may deem advisable.

9 The Alberta Act also provides for the appoint-  
10 ment of a supervisor of credit unions (S. 4) who  
11 shall examine the affairs of each credit union each  
12 year. The credit union is required to produce all  
13 books, documents and other papers as required and  
14 officers of the credit union must submit to  
15 examination under oath. Subject to the Lieutenant-  
16 Governor in Council, the standard bylaws may require  
17 that a credit union with a share capital and  
18 deposits exceeding such amount as may be set out  
19 from time to time in the standard bylaws, appoint  
20 chartered accountants or qualified persons approved  
21 in either case by the supervisor to conduct an  
22 annual audit of the credit union in a manner  
23 approved by the supervisor. It should also be  
24 noted that when, in the opinion of the supervisor,  
25 the affairs of any credit union require immediate  
26 investigation in order to safeguard the interests  
27 of the members, the supervisor may order that an  
28 audit be made at the expense of the credit union by  
29 a chartered accountant or any qualified person (S.67).  
30 The Supervisor has other important duties including



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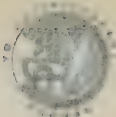
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1 the approval or rejection of an application for  
2 incorporation.

3 Under the Saskatchewan Act, the super-  
4 vising officer is the Registrar and his inspection  
5 duties under Sec. 92 are almost identical with those  
6 of the supervisor under the Alberta Act. It should  
7 be noted that under the Saskatchewan Act when the  
8 memorandum of association has been filed, the  
9 Registrar, if satisfied that incorporation  
10 is economically advisable and if he otherwise  
11 approves of incorporation, shall issue a certificate  
12 of incorporation. Under the Saskatchewan Act the  
13 Deputy Minister of Co-operation and Co-operative  
14 Development is the Registrar of Credit Unions. He  
15 has wide powers and important duties including  
16 the following: the preparation of standard bylaws  
17 (sec. 16) which must be approved by the Lieutenant-  
18 Governor-in-Council, the approval of supplemental bylaws  
19 (S. 16); the approval of superannuation societies  
20 in which the credit union may become a member (S. 18  
21 ss.1), the approval of certain loans under certain  
22 conditions (S.19 and 61), the approval of deferment of  
23 charges to the reserve fund (S.74), the approval of  
24 the appointment of auditors in certain cases (S.76),  
25 the approval of the form of orders for withdrawing  
26 funds from credit unions (S.80 to 81), the appoint-  
27 ment of an administrator to protect the equities  
28 of the members of a credit union (S.93), ordering the  
29 dissolution of a credit union under certain conditions  
30 but subject to the approval of the Lieutenant Governor  
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as 1), the approval of certain loans under certain

conditions (S. 19 and 61), the approval of deferral of

charges to the reserve fund (S. 74), the approval of

the appointment of auditors in certain cases (S. 76),

the approval of the form of orders for withdrawing

funds from credit unions (S. 80 to 81), the appoint-

ment of an administrator to protect the equities

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dissolution of a credit union under certain conditions

but subject to the approval of the Lieutenant Governor





Under Sec. 80 of the Manitoba Act the supervisor is required once in each year to inspect each credit union and investigate and examine all the business which has been carried on since the last inspection, to audit the books and records of the credit union and to make a report to the Minister respecting each credit union, showing its financial position and reporting as to the manner in which it has been carrying on its operations. The supervisor must satisfy himself that every credit union is carrying on its operation in accordance with the acts which are applicable and with its bylaws, and report any infractions to the board of directors and, if not remedied, to the Minister. In addition the supervisor may order an independent audit.

In Manitoba credit unions write down their fiscal assets using various percentages, depending upon the accounting practice of the particular credit union concerned. No fixed figure is required by the supervisor but if the credit union does not write off its assets on the basis considered by him to be reasonable, he will require the adoption of a percentage for audit purposes customarily 10 per cent to 15 per cent depending on the type of asset (35).

The credit unions branch of the Department of Insurance of Ontario (as well as the Credit Union League) requires that the minimum potential membership of a credit union be sufficient to produce an active group and the qualified officers are available to operate a proposed credit union (19). Under the



Under Sec. 80 of the Manitoba Act the supervisor is required once in each year to inspect each credit union and investigate and examine all the business which has been carried on since the last inspection, to audit the books and records of the credit union and to make a report to the Minister respecting each credit union, showing its financial position and reporting as to the manner in which it has been carrying on its operations. The supervisor must satisfy himself that every credit union is carrying on its operation in accordance with the acts which are applicable and with its bylaws, and report any infractions to the board of directors and, if not remedied, to the Minister. In addition the supervisor may order an independent audit.

In Manitoba credit unions write down their fiscal assets using various percentages, depending upon the accounting practice of the particular credit union concerned. No fixed figure is required by the supervisor but if the credit union does not write off its assets on the basis considered by him to be reasonable, he will require the adoption of a percentage for audit purposes customarily 10 per cent to 15 per cent depending on the type of asset (35).

The credit unions branch of the Department of Insurance of Ontario (as well as the Credit Union League) requires that the minimum potential membership of a credit union be sufficient to produce an active group and the qualified officers are available to operate a proposed credit union (19). Under the



1 Ontario Act annual returns must be made by credit  
2 unions to the Ontario Department of Insurance (s.49).  
3 See secs. 50 and 51 re inspections, appointments of  
4 auditors and suspensions. The history of supervision  
5 by government departments in Ontario should be noted.  
6 The administration of credit unions was transferred  
7 from the Department of Agriculture to the Department  
8 of Insurance in 1953. A program of inspections was  
9 then instituted which was carried out until the  
10 number of credit unions became so great that it was  
11 impossible to give effective supervision. It was then  
12 that the League surveyed the whole problem and  
13 assumed the expense and responsibility for more  
14 league inspectors as described under the section  
15 under democratic control and self discipline. It  
16 appears that in Ontario co-operation between  
17 government officials and credit union league officials  
18 is very close with the result that there is an  
19 effective supervision (23 to 29).

20 Quebec's statutory provisions regarding  
21 inspection and control are found in the Quebec Co-  
22 operative Syndicates Act. By Sec. 35 a credit union  
23 is required at the end of its fiscal year to submit  
24 a report regarding its affairs to the provincial  
25 treasurer. The credit union is also required to  
26 have the report audited by an inspector of a federation  
27 organized under Sec. 49. This report must contain  
28 a summary statement of the assets and liabilities  
29 of the credit union, a statement of its operations  
30 for the year and all other information required by





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auditors and suspensions. The history of supervision by Government departments in Ontario should be noted.

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of the credit union, a statement of its operations

for the year and all other information required by





1 the bylaws. Such report shall be attested under  
2 oath. Under Sec. 54, at the request of a federation,  
3 board of management or two-thirds of the members  
4 where they number less than twenty-five, the  
5 provincial treasurer may proceed to audit the  
6 operations of a credit union. The provincial  
7 treasurer has wide power to appoint an auditor  
8 to enquire fully into the affairs of a credit union.  
9 In addition, under Sec. 60, the Attorney General  
10 may appoint a person to make the examination audit  
11 of a credit union and he shall have the powers  
12 of an enquiry commission under the Public Enquiry  
13 Commission Act (Brief 5 and 22).

14 Since the beginning of the credit union  
15 movement in Nova Scotia the provincial government has  
16 provided an inspection service to credit unions  
17 without charge (33). The province is divided into  
18 zones and inspectors are appointed for each zone.  
19 The inspectors attempt to inspect every credit union  
20 at least once a year and usually this objective is  
21 met. The service provided is good. The inspection  
22 covers all aspects of the credit union's operations.  
23 There are only three inspectors and more will be  
24 required as credit unions grow (Brief 30 to 33) (See  
25 S.3 and 53 to 58).

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SCHEDULE 7

TO THE BRIEF OF NACCU TO THE  
ROYAL COMMISSION ON BANKING AND FINANCE

A.338

SCHEDULE OF APPROXIMATE BREAKDOWN OF ASSETS  
BY PROVINCES FOR DECEMBER 31, 1960

material for paragraph 80, pages 37 and 38 of the Brief

THE COLUMBIA CREDIT UNIONS

Assets and Liabilities \$105 Million

Principal items:	
Shares	\$ 90. M
Deposits	4. M
Borrowings	5.4 M
Reserves and other retained income	5.6 M

Principal application of assets:

Loans to members	\$ 90. M
Cash, till and bank	.7 M
Central	8.7 M
Investments (including Central shares 1.1M)	2.5 M
Buildings and fixtures	3.0 M
Balance - miscellaneous	

1. Of the 2.5 M. investment in securities by credit unions, 1.1 was invested in shares of 1 and approximately .9 M represented the investment of three credit unions. The remainder represented investments of 44 credit unions some of which might include their investment in Central

2. The figures on shares include endowment shares at gross and the figures on loans include endowment loans. The endowment shares represented a gross of 23 M and the net liability on endowment shares was approximately 4 M so that there remained outstanding on endowment loans 19 M.

CENTRAL CREDIT UNION

Assets and Liabilities \$11.6 Million

Principal items:	
Shares	\$ 1.1 M
Deposits	9.6 M
Borrowings	.5 M
Reserves, etc.	.2 M

Principal application of assets:

Loans to members	\$ 7.9 M
Cash and in bank	1.5 M
Investments	1.7 M
Building	.4 M
Balance - miscellaneous	

THE CREDIT UNIONS - (Appendix 9 to Brief)

Assets and Liabilities \$ 29.2 Million

Principal items:	
Shares	\$ 24.3 M
Deposits	1.3 M
Accounts payable (borrowed money?)	1.1 M
Guarantee Fund, undivided earnings, etc.	2.4 M
Stabilization Plan	.05M

Principal application of assets:

Loans to members	\$ 22.2 M
Cash	1.8 M
Investments	4.0 M
Real estate, furniture and fixtures	1.0 M
Others	.2 M

1. Appendix 10 (a), (b) and (c) show the investment of various credit unions of various as well as distribution of their assets.

THE CREDIT UNIONS - (ex. 6 (b))

Assets and Liabilities \$2.5 Million

Principal items:	
Members' deposit accts.	\$ 1.3 M
Shares	1.1 M
Reserves, undivided surplus, etc.	.08 M

Principal application of assets:

Loans to members (of which .44 M is individual mtge. loans)	\$ 1.8 M
Cash in bank	.4 M
Investments	.1 M
Buildings, etc.	.09 M





SASKATCHEWAN CREDIT UNIONS (Figures taken from Inspector's report)

A.339

Total Assets and Liabilities \$88.8 Million

Liabilities:Principal items:

Shares	\$ 66.8 M
(Endowments 4.4)	
Deposits	14. M
Borrowings	3.1 M
Dividends payable	1.7 M
Reserves	2.7 M

Principal application of assets:

Loans to members	\$ 55.7 M
(Endowments 3.2)	
Cash on hand and in bank	2.9 M
Deposits in S.C.C.S.	4.7 M
Investments:	
S.C.C.S. shares	11.9 M
Government bonds	3.2 M
Co-op Trust shares	.3 M
Co-op Trust Invest. Cert.	.6 M
Other	5.8 M
Land Bldg. furniture, etc.	2.3 M
Balance miscellaneous	

SASKATCHEWAN CO-OPERATIVE CREDIT SOCIETY (Figures taken from Superintendent of Insurance reports)

Total Assets and Liabilities \$24.8 Million

Liabilities:Principal items:

Shares	\$ 12.6 M
Deposits	7.5 M
Borrowed money	3.4 M
Security Reserves	
Guarantee Fund & undivided surplus	1.3 M

Principal application of assets:

Loans to members	\$ 14.4 M
Cash in bank	1.5 M
Investments	8.4 M
Balance miscellaneous	

MANITOBA CREDIT UNIONS (Figures from Manitoba Brief Schedules N and O)

Total Assets and Liabilities \$42.4 Million

Liabilities:Principal items:

Shares	\$ 31.5 M
Deposits	5.8 M
Other liabilities	2.1 M
Reserves & undistributed earnings	3.0 M

Principal application of assets:

Loans to members	\$ 35.3 M
Cash on hand, bank, Centrals	3.7 M
(Deposit in Central 1.2)	
Investments	2.6 M
(shares in Central .7)	
Land, Building and fixtures	.5 M
Other assets	.1 M
Balance miscellaneous	

MANITOBA CREDIT SOCIETY (Ex. O)

Total Assets and Liabilities \$1.9 Million

Liabilities:Principal items:

Shares	\$ .7 M
Deposits	1.2 M

Principal application of assets:

Loans to members	\$ 1.6 M
Cash in banks	.12 M
Investments	.13 M
Balance miscellaneous	



ARIO CREDIT UNIONS (Figures from Appendix 22 to Ontario Credit Union League brief)

al Assets and Liabilities \$176.5 Million

<u>Liabilities:</u>		<u>Principal application of assets:</u>	
<u>Principal items:</u>			
Shares	\$ 140.7 M	Loans to members	\$ 152.4 M
Deposits	10.7 M	Cash in bank	8.1 M
Borrowings O.C.C.S.	1.6 M	Investments:	
Borrowings O.C.U.L.	5.2 M	O.C.C.S.	2.6 M
Other borrowings	.8 M	O.C.U.L.	5.7 M
Guarantee Fund	6.6 M	Government bonds	3.7 M
Undivided earnings	9.6 M	Other	1.4 M
Various reserves and		Land, buildings & equip.	1.8 M
other liabilities	.9 M	Balance miscellaneous	

ARIO CO-OPERATIVE CREDIT SOCIETY (Brief, Ex. 5)

al Assets and Liabilities \$6.8 Million

<u>Liabilities:</u>		<u>Principal application of assets:</u>	
<u>Principal items:</u>			
Shares	\$ 5.6 M	Loans to members	\$ 5.1 M
Deposits	5.2 M	(CoOp 2.3, Credit	
Bank loans	0.5 M	Union 2.7)	
Debentures	.4 M	Cash on hand and in bank	.7 M
Guarantee Fund and		Investments:	
Reserve	.06 M	Government & Municipal	.8 M
		Co-operative	.1 M
		Balance miscellaneous	

E 1. Loans to members in 1961 show Co-op 1 year or less .7 one to five years .9 million  
dit unions one year or less 2.4 million.

E 2. Members deposits 1961 show current accounts 2.7 M, special deposit accounts 2.4 M.  
ee month deposit accounts 2.7 M.

E 3. The total assets in 1961 went up 2.5 M. 2.1 of which is reflected in members' deposits.

E 4. The discrepancy between the Credit Union League report of deposit in O.C.C.S. and the  
al deposits shown in O.C.C.S. statement may reflect deposits by co-operatives.

ARIO CREDIT UNION LEAGUE - LEAGUE CENTRAL DEPARTMENT (21st Annual Report Ontario Credit  
on League)

al Assets and Liabilities \$6.6 Million

<u>Liabilities:</u>		<u>Principal application of assets:</u>	
<u>Principal items:</u>			
Shares	\$ 2.5 M	Loans to members	\$ 6.1 M
Member guarantee	2.0 M	Cash in bank	.4 M
fund deposits		Investments	.05 M
Deposit accounts	1.2 M	Other assets	.003 M
Loans	.5 M	Balance miscellaneous	
Guarantee Fund &			
undivided earnings	.2 M		
Balance miscellaneous			

E 1. The total assets of the League Central Department in 1961 increased 1.5 million mostly  
lected in members' equities. On the assets side this was reflected in cash in bank and trust  
panies and what is described as short term investments with any further description.





1 Assets and Liabilities \$38.7 Million

Liabilities:

Principal items:

Shares	\$ 28.9 M
Deposits	5.8 M
Borrowed money	1.2 M
Reserves	1.1 M
Undivided earnings	1.6 M

Principal application of assets:

Loans to members	\$ 33.5 M
Cash	.2 M
Banks	1.9 M
Investments:	
Q.C.C.U.	.4 M
Government bonds	1.7 M
Others	.3 M
Fixed assets	.3 M
Balance miscellaneous	

EC CENTRAL CREDIT UNION (page 77 of Brief)

1 Assets and Liabilities \$ .44 Million

Liabilities:

Principal items:

Shares	\$ .32 M
Deposits	.046M
Borrowed money	.05 M
Reserves & surplus	.02 M
Balance miscellaneous	

Principal application of assets:

Loans to members	\$ .4 M
Cash	.044 M
Investments	.004 M
Furniture and fixtures	.002 M
Balance miscellaneous	

SCOTIA CREDIT UNIONS (Appendix, Table 2 Brief and Table IV)

1 Assets and Liabilities \$15.6 Million

Liabilities:

Principal items:

Shares	\$ 13.6 M
Deposits	.4 M
Borrowings	.3 M
Guarantee Reserve	.6 M
Undivided earnings	
& other liabilities	.7 M

Principal application of assets:

Loans to members	\$ 12.4 M
Cash & deposits banks	.43 M
Deposit League Central	1.4 M
Investments:	
Shares League Central	.22 M
Other investments	.25 M
Fixed assets	.2 M
Other assets	.6 M
Balance miscellaneous	

SCOTIA CREDIT UNION LEAGUE (Table 3 Brief as at April 30/61)

1 Assets and Liabilities \$2.9 Million

Liabilities:

Principal items:

Shares	\$ .24 M
Current accounts (deposits)	.7 M
Call deposits	.35 M
Guarantee fund deposit	.62 M
3 year deposits	.28 M
5 year deposits	.44 M
Reserves	.15 M
Surplus	.07 M
Balance miscellaneous	

Principal application of assets:

Loans to members	\$ .275 M
Cash on hand and in bank	.175 M
Short term investment Bank of Nova Scotia	.1 M
Investments:	
Market securities	.8 M
Mortgages	1.4 M
Fixed assets	.13 M
Balance miscellaneous	

Labellities \$38.7 million

44 Million \$ and 100,000,000

(Table 3 Brief as at April 30/51)

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SCHEDULE 8

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

COMPARATIVE FIGURES ILLUSTRATING SEASONAL  
FLUCTUATIONS AND FLOW OF FUNDS

Annexed are figures and charts as indicated,  
illustrating the fluctuation of funds in the organiza-  
tions referred to in pages 38 and 44 of brief.  
They are in the following order:

1. Photostatic copy of Schedule 14 from  
the brief of B.C. Central Credit Union, being  
chart and supporting figures for the years  
1954 to 1961 illustrating the periods when  
B.C. Central Credit Union's funds available  
for lending exceeded or were insufficient to  
meet loans made, and also the seasonal demands  
for funds and seasonal surpluses. It should  
be kept in mind that most credit unions in  
British Columbia deposit their liquidity  
reserves and surpluses with the Central.
2. A chart re Saskatchewan Credit Unions  
showing the total shares and deposits and  
loans outstanding 1950 to 1961 and the per-  
cent of shares and deposits out in loans  
during each year with supporting figures.
3. Saskatchewan Co-operative Credit Society  
Limited, chart and supporting figures showing



SCHEDULE 3

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Savings and Finance)

COMPARATIVE FINANCIAL STATEMENTS

FLUCTUATIONS AND FLOW OF FUNDS

Annexed are figures and charts as indicated,  
illustrating the fluctuation of funds in the organiza-  
tions referred to in pages 38 and 44 of brief.  
They are in the following order:

1. Photostatic copy of Schedule 14 from  
the brief of B.C. Central Credit Union, being  
[redacted]  
1954 to 1961 illustrating the periods when  
B.C. Central Credit Union's funds available  
for lending exceeded or were insufficient to  
meet loans made, and also the seasonal demands  
for funds and seasonal surpluses. It should  
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cent of shares and deposits out in loans  
during each year with supporting figures.  
[redacted]  
Limited, chart and supporting figures showing





1 fluctuation in employment of members' funds  
2 and available pool of funds December 1954  
3 to December 1961 on a monthly basis.

4 4. Analysis of members' shares and deposits  
5 and loans to members Ontario Credit Union  
6 League Central monthly January 1950 to  
7 December 1961.

8 5. Figures for Ontario Co-operative Credit  
9 Society on a monthly basis December 1954 to  
10 December 1961 showing fluctuation in employment  
11 of members' funds and available pool of funds.  
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University of Toronto  
Toronto, Ontario

1961

Classification of books by subject

and available pool of funds December 1954

to December 1961 on a monthly basis.

4. Analysis of members' shares and deposits

and loans to members Ontario Credit Union

League Central monthly January 1950 to

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Society on a monthly basis December 1954 to

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of members' funds and available pool of funds.

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EXTRACTED FROM  
BRIEF OF B. C. CENTRAL CREDIT UNION  
(SCHEDULE 14)

FLUCTUATIONS IN EMPLOYMENT OF MEMBERS' FUNDS

AVAILABLE POOL OF FUNDS

	<u>Deposits Less 20% Reserve</u>	<u>Shares</u>	<u>Total</u>	<u>Loans to Members</u>	<u>Pool in Excess of Loans</u>	<u>Loans in Excess of Pool</u>
Dec. 1954	2,090,632	322,135	2,412,767	1,767,136	645,631	
Jan. 1955	2,235,881	322,250	2,558,131	1,700,251	857,880	
Feb.	2,278,028	323,730	2,601,758	2,130,265	471,493	
Mar.	2,378,120	356,300	2,734,420	2,268,099	466,321	
Apr.	2,410,635	409,875	2,820,510	2,595,635	224,875	
May	2,218,755	421,700	2,640,455	2,802,627		162,172
June	2,281,328	438,045	2,719,373	3,023,300		303,927
July	2,045,777	443,445	2,489,222	2,910,106		420,884
Aug.	2,281,922	447,045	2,728,967	2,978,128		249,161
Sep.	2,476,435	449,570	2,926,005	3,086,162		160,157
Oct.	2,587,664	449,205	3,036,869	2,821,915	214,954	
Nov.	2,739,576	451,975	3,191,551	2,678,441	513,110	
Dec.	2,927,482	453,705	3,381,187	2,708,480	672,707	
Jan. 1956	2,794,000	454,000	3,248,000	2,545,000	703,000	
Feb.	2,845,000	464,000	3,309,000	2,628,000	681,000	
Mar.	2,969,000	475,000	3,444,000	2,653,000	791,000	
Apr.	2,835,000	577,000	3,412,000	2,649,000	763,000	
May	2,647,000	611,000	3,258,000	3,081,000	177,000	
June	2,907,000	638,000	3,545,000	3,532,000	13,000	
July	2,882,000	646,000	3,528,000	3,706,000		178,000
Aug.	2,919,000	650,000	3,569,000	3,618,000		49,000
Sep.	3,086,000	759,000	3,845,000	3,596,000	249,000	
Oct.	3,245,000	760,000	4,005,000	3,482,000	523,000	
Nov.	3,526,000	767,000	4,293,000	3,202,000	1,091,000	
Dec.	3,969,000	768,000	4,737,000	3,529,000	1,208,000	
Jan. 1957	3,694,000	675,000	4,369,000	3,262,000	1,107,000	
Feb.	3,766,000	675,000	4,441,000	3,203,000	1,238,000	
Mar.	3,717,000	677,000	4,394,000	3,585,000	809,000	
Apr.	3,555,000	677,000	4,232,000	4,029,000	203,000	
May	3,005,000	719,000	3,724,000	4,690,000		966,000
June	3,713,000	738,000	4,451,000	5,411,000		960,000
July	3,504,000	739,000	4,243,000	5,526,000		1,283,000
Aug.	3,396,000	739,000	4,135,000	5,697,000		1,562,000
Sep.	3,861,000	742,000	4,603,000	5,977,000		1,374,000
Oct.	3,734,000	736,000	4,470,000	5,924,000		1,454,000
Nov.	4,150,000	737,000	4,887,000	5,503,000		616,000
Dec.	4,620,000	746,000	5,366,000	5,977,000		611,000
Jan. 1958	4,382,000	746,000	5,128,000	5,478,000		350,000
Feb.	4,327,000	746,000	5,073,000	5,211,000		138,000
Mar.	4,507,000	747,000	5,254,000	5,171,000	83,000	
Apr.	4,524,000	823,000	5,347,000	5,302,000	45,000	
May	4,418,000	849,000	5,267,000	5,774,000		507,000
June	4,732,000	862,000	5,594,000	6,215,000		621,000
July	4,582,000	866,000	5,448,000	6,325,000		877,000
Aug.	4,770,000	868,000	5,638,000	6,547,000		909,000
Sep.	5,208,000	869,000	6,077,000	6,470,000		393,000
Oct.	5,178,000	870,000	6,048,000	5,921,000	127,000	
Nov.	5,305,000	873,000	6,178,000	5,300,000	878,000	
Dec.	5,876,000	874,000	6,750,000	5,381,000	1,369,000	





AVAILABLE POOL OF FUNDS

	Deposits Less 20% Reserve	Shares	Total	Loans to Members	Pool in '4 Excess of Loans	Loans in Excess of Pool
Jan. 1959.	5,303,000	874,000	6,177,000	5,198,000	979,000	
Feb.	5,290,000	876,000	6,166,000	5,086,000	1,080,000	
Mar.	5,808,000	881,000	6,689,000	5,490,000	1,199,000	
Apr.	5,362,000	882,000	6,244,000	5,964,000	280,000	
May	5,140,000	961,000	6,101,000	6,309,000		208,000
June	5,301,000	983,000	6,374,000	7,037,000		663,000
July	4,872,000	987,000	5,859,000	7,818,000		1,959,000
Aug.	4,959,000	990,000	5,949,000	8,296,000		2,347,000
Sep.	5,313,000	1,001,000	6,314,000	8,534,000		2,220,000
Oct.	5,312,000	1,004,000	6,316,000	8,198,000		1,882,000
Nov.	5,614,000	1,007,000	6,621,000	7,792,000		1,171,000
Dec.	6,383,000	1,008,000	7,393,000	7,989,000		596,000
Jan. 1960	6,062,000	1,019,000	7,082,000	8,030,000		948,000
Feb.	5,300,000	1,023,000	6,323,000	7,862,000		932,000
Mar.	6,060,000	1,023,000	7,083,000	8,106,000		1,023,000
Apr.	5,922,000	1,023,000	6,945,000	7,999,000		1,054,000
May	6,130,000	1,100,000	7,230,000	8,323,000		1,093,000
June	6,280,000	1,136,000	7,418,000	8,675,000		1,257,000
July	5,916,000	1,146,000	7,062,000	9,124,000		2,062,000
Aug.	6,202,000	1,147,000	7,349,000	8,952,000		1,603,000
Sep.	6,402,000	1,147,000	7,549,000	9,279,000		1,730,000
Oct.	6,820,000	1,150,000	7,970,000	8,382,000		412,000
Nov.	6,853,000	1,151,000	8,004,000	7,962,000	42,000	
Dec.	7,201,000	1,152,000	8,353,000	7,965,000	888,000	
Jan. 1961	7,526,000	1,153,000	8,679,000	7,500,000	1,179,000	
Feb.	7,987,000	1,204,000	8,786,000	7,034,000	1,752,000	
Mar.	8,174,000	1,204,000	9,378,000	7,446,000	1,932,000	
Apr.	7,718,000	1,204,000	8,922,000	7,294,000	1,628,000	
May	7,608,000	1,368,000	8,976,000	7,670,000	1,306,000	
June	7,678,000	1,398,000	9,076,000	8,993,000	83,000	
July	7,905,000	1,402,000	9,307,000	9,827,000		520,000
Aug.	8,383,000	1,400,000	9,785,000	11,004,000		1,219,000
Sep.	8,704,000	1,401,000	10,105,000	11,205,000		1,100,000
Oct.	8,600,000	1,403,000	10,010,000	10,547,000		537,000
Nov.	9,200,000	1,413,000	10,633,000	10,191,000	442,000	
Dec.	9,870,000	1,415,000	11,220,000	9,585,000	1,635,000	



EXTRACTED FROM  
BRIEF OF B. C. C. CENTRAL CREDIT UNION

(SCHEDULE 7)

SCHEDULE OF GROWTH OF B. C. C. CENTRAL CREDIT UNION

1950 to 1961

ASSETS

	CASH & BANK	INVESTMENTS (PERMITTED) AS RESERVES	INVESTMENTS		LOANS TO MEMBERS	LAND & BUILDINGS	OTHER ASSETS	TOTAL ASSETS
			OTHERS	(2)				
Apr. 30, 1950	67,500	46,421	290	(3)	721,475	(4)	5,241	840,927
Apr. 30, 1951	76,636	181,811	290		869,260	-	7,226	1,135,223
Apr. 30, 1952	109,152	261,782	890		1,273,367	-	10,839	1,656,030
Apr. 30, 1953	209,231	426,303	890		1,752,304	-	11,276	2,400,004
Mar. 31, 1954	171,369	620,547	890		1,917,289	300	12,942	2,723,337
Mar. 31, 1955	315,849	860,785	10,890		2,268,100	31,000	12,311	3,504,935
Dec. 31, 1955	647,722	809,666	10,890		2,508,480	31,000	10,085	4,217,850
Dec. 31, 1956	877,771	1,303,354	11,160		3,526,149	69,286	16,799	5,804,519
Dec. 31, 1957	892,780	1,011,991	162,961		5,371,709	200,244	20,178	8,259,863
Dec. 31, 1958	1,010,607	1,487,690	179,368		5,381,725	257,893	19,774	8,337,147
Dec. 31, 1959	1,130,870	1,187,285	221,110		7,952,372	411,545	29,695	10,932,877
Dec. 31, 1960	1,531,296	1,420,926	251,116		7,965,086	399,290	36,884	11,604,598
Dec. 31, 1961	2,099,496	2,247,114	203,520		9,404,468	390,166	44,013	14,388,777

(1961 figures subject to year-end audit)

- (1) Shown at lesser of cost or market
- (2) Shown at lesser of cost or market
- (3) After providing for delinquency, as per measure in Co-operative Credit Association's Act, Sec. 51
- (4) Includes accrued interest on Investments and on Loans to Members





LIABILITIES

	DEMAND (Chequing) DEPOSITS	TERM DEPOSITS	NOTES PAYABLE	OTHER LIABILITIES	SHARES	GUARANTEE RESERVE	OTHER RESERVES	UNDIVIDED EARNINGS	TOTAL LIABILITIES
Apr. 30, 1950	416,488	351,988	10,000	(5) 7,305	49,935	(6) 2,578	(7) -	2,633	840,927
Apr. 30, 1951	589,923	442,128	20,000	8,116	64,410	5,252	-	5,394	1,135,223
Apr. 30, 1952	869,287	577,767	108,000	13,142	71,750	8,468	-	7,616	1,656,030
Apr. 30, 1953	1,027,249	729,771	372,000	21,515	223,840	10,786	5,569	9,274	2,400,004
Mar. 31, 1954	1,437,221	969,335	-	23,755	261,100	12,594	10,000	9,242	2,723,337
Mar. 31, 1955	1,712,698	1,227,785	100,000	59,702	356,300	17,723	18,128	12,599	3,504,935
Dec. 31, 1955	2,194,907	1,464,385	-	36,351	453,705	23,487	21,323	23,632	4,217,850
Dec. 31, 1956	3,053,374	1,914,697	-	20,252	768,705	5,608	-	42,383	5,804,519
Dec. 31, 1957	3,297,138	2,533,409	1,570,000	10,462	745,580	49,286	-	53,988	8,259,863
Dec. 31, 1958	4,036,690	3,258,334	-	21,328	873,735	7,628	21,867	54,535	8,337,147
Dec. 31, 1959	3,323,357	4,104,016	2,353,000	30,162	1,008,335	50,309	-	54,078	10,932,877
Dec. 31, 1960	4,520,226	5,105,602	525,000	90,337	1,132,335	12,764	49,548	39,196	11,604,598
Dec. 31, 1961	4,300,684	7,791,945	300,000	322,008	1,415,235	150,407	70,939	37,564	14,388,777

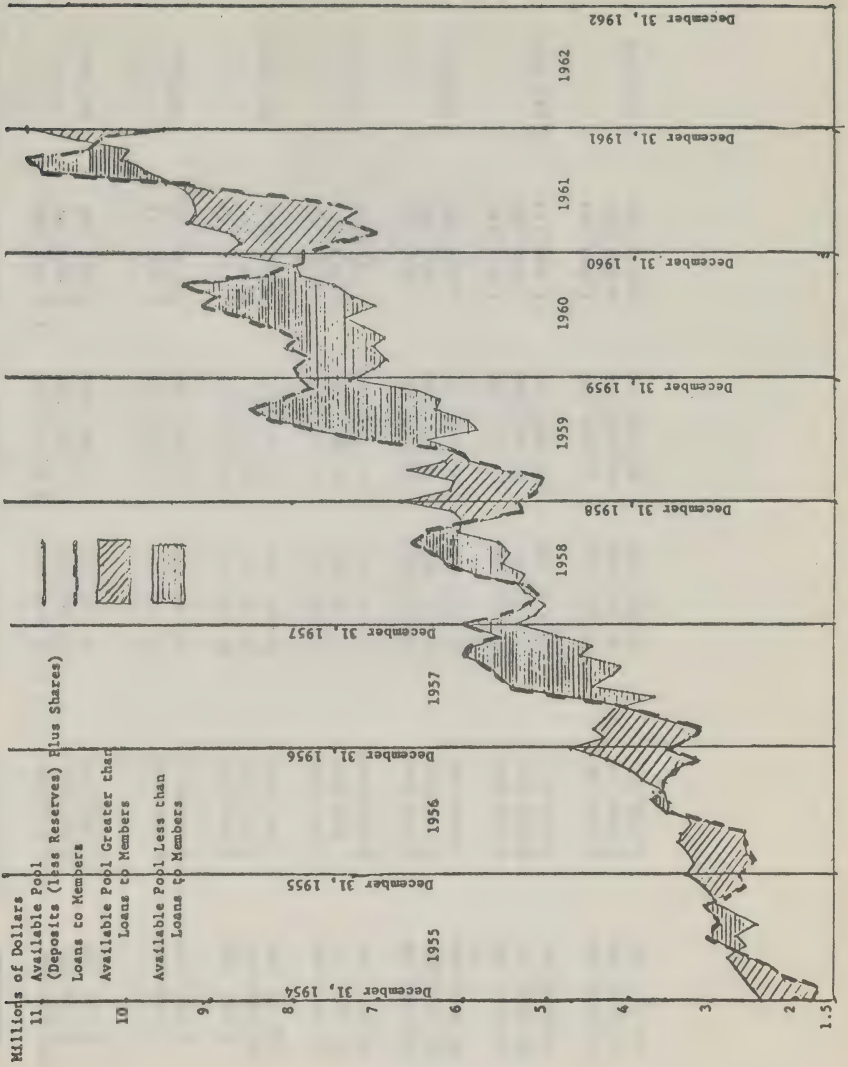
(1961 Figures subject to year-end audit)

- (5) Includes accrued charges and starting December 1960 includes Provision for Dividends  
 (6) Net balance after providing for delinquency and in some cases after providing for deficiency in bond valuations  
 (7) Net balance after providing for deficiency in bond valuations



EXTRACTED FROM  
BRIEF OF B. C. CENTRAL CREDIT UNION  
(Schedule 14)

A CHART FOR THE YEARS 1954 TO 1961 ILLUSTRATING THE PERIODS WHEN B. C. CENTRAL CREDIT UNION'S FUNDS AVAILABLE FOR LENDING EXCEEDED OR WERE INSUFFICIENT TO MEET LOANS MADE



NOTE: Last two symbols in key corrected





SASKATCHEWAN CREDIT UNIONS

		Cash on Hand & Deposit	Loans Outstanding	Investments	Total Assets	Shares	Deposits	Reserves & Undivided Surplus	Borrowings
1950	March	\$ 1,946,657	\$ 6,549,883	\$ 3,143,045	\$ 11,808,583	\$ 6,947,191	\$ 3,058,980	\$ -	-
	Sept.	1,092,437	8,718,462	2,810,413	12,762,337	7,725,528	2,503,292	-	-
	Dec.	1,208,244	8,234,638	2,782,075	12,563,485	7,986,381	2,488,258	348,662	1,439,268
1951	March	*	*	*	*	*	*	*	-
	Sept.	1,280,194	9,445,086	2,926,063	14,079,687	9,328,959	3,000,541	*	-
	Dec.	3,033,044	8,762,189	3,018,112	15,279,003	10,147,582	3,906,107	440,665	460,605
1952	March	3,200,288	9,214,148	3,485,833	16,743,013	11,114,975	4,581,554	*	-
	Sept.	2,203,339	12,450,416	4,325,494	19,726,827	12,460,655	4,428,900	*	-
	Dec.	3,473,778	12,757,061	4,627,853	21,404,543	13,910,671	5,261,068	587,588	1,212,349
1953	March	3,868,752	13,443,954	5,244,893	23,188,271	15,518,367	5,765,751	*	946,290
	Sept.	3,259,781	17,200,544	5,848,180	27,247,867	18,488,329	6,505,621	*	1,210,229
	Dec.	3,312,749	18,305,875	6,075,356	28,471,111	19,326,460	5,768,183	810,236	2,012,212
1954	March	3,067,075	19,159,301	5,776,519	28,936,823	20,429,605	5,825,671	*	1,435,096
	Sept.	2,174,642	20,404,607	5,787,772	29,511,886	21,336,488	4,963,325	*	1,786,131
	Dec.	3,269,263	19,501,070	5,680,257	29,467,356	21,687,746	4,899,400	981,132	1,219,107
1955	March	3,084,444	19,345,786	6,071,905	29,654,394	22,653,384	4,741,835	*	872,271
	Sept.	3,083,404	20,620,617	6,816,614	31,933,547	23,941,390	5,436,256	*	949,188
	Dec.	3,176,742	20,909,545	6,942,873	32,356,118	23,988,999	4,928,173	1,143,925	1,539,579
1956	March	3,573,619	20,886,469	7,214,320	33,151,366	25,246,719	5,303,354	*	993,337
	Sept.	3,952,901	23,604,375	9,086,188	38,361,243	28,491,417	6,912,079	*	935,060
	Dec.	3,968,947	24,329,121	8,062,053	38,646,038	28,798,162	6,512,309	1,329,538	1,229,624



SASKATCHEWAN CREDIT UNIONS  
(continued)

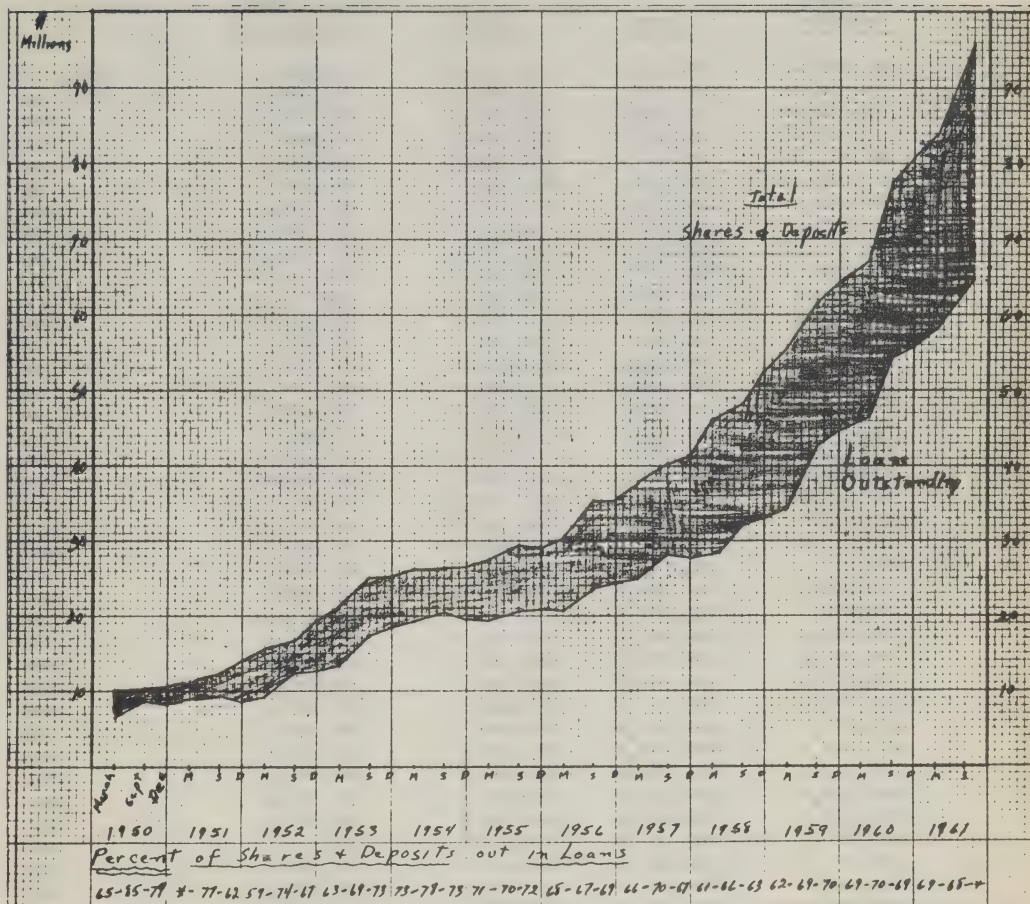
		Cash on Hand & Deposit	Loans Outstanding	Investments	Total Assets	Shares	Deposits	Reserves & Undivided Surplus	Borrowings
1957	March	\$ 4,832,660	\$ 24,875,525	\$ 9,415,346	\$ 40,770,808	\$ 30,642,326	\$ 7,141,572	\$ *	\$ 1,050,811
	Sept.	4,233,560	28,200,488	10,118,014	44,129,370	32,787,106	7,329,154	*	1,635,214
	Dec.	5,311,442	27,623,783	10,416,694	44,825,002	33,685,152	7,631,948	1,533,379	1,071,980
1958	March	6,810,064	28,311,621	11,653,243	48,455,795	37,160,381	8,928,673	*	457,696
	Sept.	6,264,762	31,988,232	13,696,506	54,422,273	38,319,436	9,880,263	*	745,639
	Dec.	7,097,635	32,877,711	14,418,595	56,450,159	42,903,167	9,561,011	1,855,689	985,063
1959	March	9,495,054	34,271,373	15,958,018	61,924,384	43,981,015	11,670,547	*	468,490
	Sept.	6,068,346	42,727,629	18,182,259	69,936,710	49,990,098	12,081,056	*	1,781,372
	Dec.	5,966,160	44,704,930	18,438,999	71,681,185	53,535,913	10,548,966	2,318,267	3,791,751
1960	March	7,816,583	46,493,230	19,170,734	76,504,081	54,381,968	12,611,050	*	2,572,099
	Sept.	9,274,423	53,964,704	20,958,506	88,421,664	61,229,896	16,342,004	*	2,209,217
	Dec.	7,658,367	55,710,481	21,804,617	88,778,288	66,882,591	13,921,021	2,751,830	3,121,108
1961	March	8,440,900	58,133,208	23,585,429	94,639,008	68,186,058	15,756,728	*	2,331,988
	Sept.	11,910,497	64,838,978	26,073,839	108,410,596	76,398,198	19,455,646	*	2,378,494
	Dec.	*	*	*	*	*	*	*	*

\* Not Available

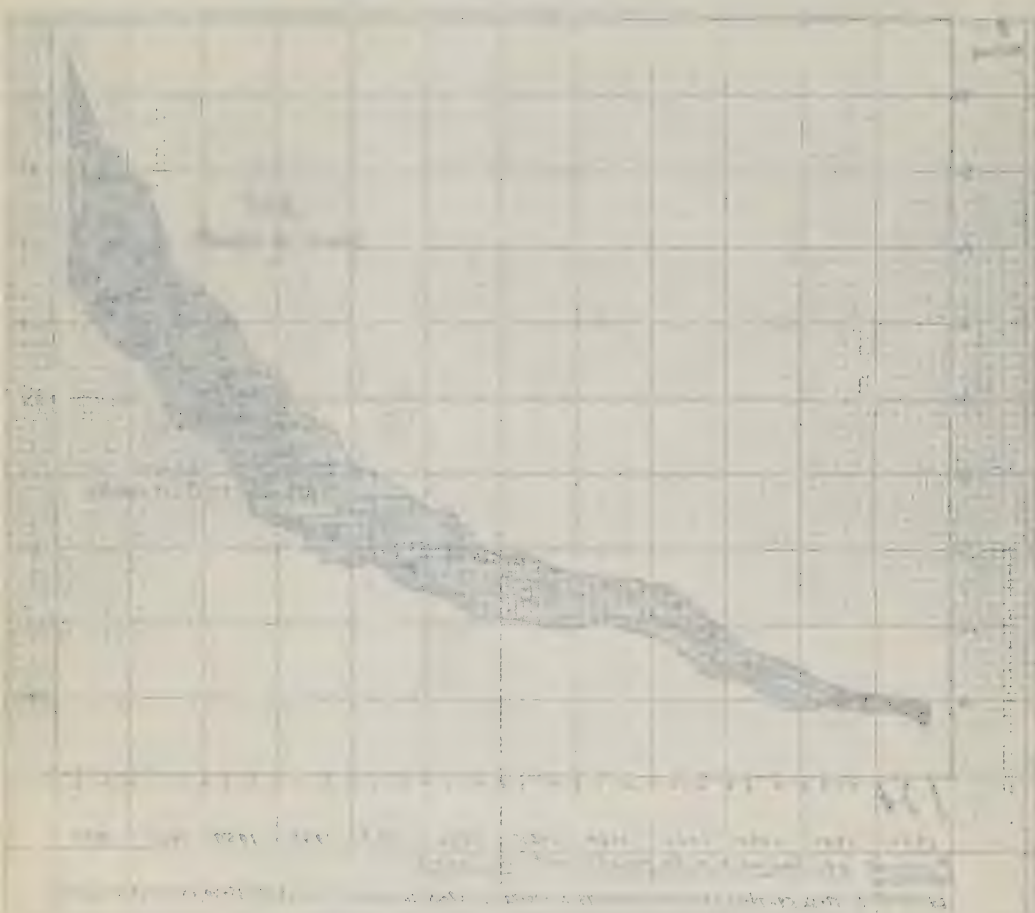




## SASKATCHEWAN CREDIT UNIONS



# Map of the River of the South Sea



## SASKATCHEWAN CO-OPERATIVE CREDIT SOCIETY LIMITED

FLUCTUATIONS IN EMPLOYMENT OF MEMBERS' FUNDSAVAILABLE POOL OF FUNDS

	DEPOSITS LESS 20% RESERVE	SHARES	TOTAL	LOANS TO MEMBERS
Dec. 1954	2,109,516	3,616,660	5,726,176	4,790,792
Jan. 1955	2,279,234	3,682,730	5,961,964	4,249,005
Feb.	2,075,390	3,822,050	5,897,440	4,401,846
Mar.	1,858,731	3,869,780	5,728,511	4,190,175
Apr.	1,830,802	3,896,520	5,727,322	5,138,626
May	1,749,441	3,915,560	5,665,001	6,299,379
June	2,804,395	4,070,900	6,875,295	8,067,448
July	3,097,771	4,173,260	7,271,031	7,757,157
Aug.	3,037,039	4,456,040	7,493,079	8,191,388
Sept.	2,323,879	4,447,270	6,771,149	5,332,961
Oct.	2,597,606	4,443,900	7,041,506	4,679,066
Nov.	2,733,800	4,508,710	7,242,510	4,559,271
Dec.	3,184,023	4,514,460	7,698,483	4,342,027
Jan. 1956	2,303,574	4,559,130	6,863,704	5,627,716
Feb.	2,190,698	4,613,440	6,804,138	6,197,147
Mar.	2,386,085	4,687,360	7,073,445	5,213,577
Apr.	2,223,983	4,759,180	6,983,163	6,973,940
May	2,386,474	4,815,390	7,201,864	7,124,009
June	3,664,489	5,082,310	8,746,799	9,147,699
July	3,418,131	5,420,190	8,838,321	9,024,007
Aug.	3,327,420	5,505,300	8,832,720	8,945,811
Sept.	3,179,394	5,523,670	8,703,064	6,547,542
Oct.	2,895,916	5,530,350	8,426,266	6,077,236
Nov.	2,894,558	5,537,890	8,432,448	5,832,152
Dec.	3,634,388	5,258,650	8,893,038	4,684,057
Jan. 1957	2,935,282	5,354,640	8,290,922	6,039,063
Feb.	3,110,840	5,465,020	8,575,860	6,738,392
Mar.	3,363,051	5,527,620	8,890,671	6,873,603
Apr.	3,024,576	5,541,410	8,565,986	8,151,092
May	2,511,983	5,544,170	8,056,153	7,875,692
June	3,511,806	5,620,180	9,131,986	9,515,173
July	3,280,438	5,651,490	8,932,428	8,844,595
Aug.	3,237,511	5,732,560	8,970,071	8,753,341
Sept.	3,156,829	5,789,190	8,946,019	7,619,586
Oct.	2,913,294	5,813,850	8,727,144	7,353,804
Nov.	3,570,097	5,848,910	9,419,007	7,773,660
Dec.	4,802,518	5,993,330	10,795,848	9,146,278
Jan. 1958	4,743,371	6,208,070	10,951,441	10,148,342
Feb.	3,754,812	6,566,390	10,321,202	9,433,898
Mar.	4,856,698	6,805,970	11,662,668	8,624,762
Apr.	4,003,964	6,946,130	10,950,094	11,221,547
May	3,487,800	7,011,950	10,499,750	11,447,081
June	4,076,256	7,180,190	11,256,446	13,434,269
July	5,167,364	7,490,490	12,657,854	13,930,885
Aug.	5,059,595	8,130,910	13,190,505	14,528,959
Sept.	4,880,917	8,262,780	13,143,697	14,603,048
Oct.	4,794,167	8,305,940	13,100,107	14,554,953
Nov.	6,655,312	8,369,390	15,024,702	13,595,663
Dec.	7,323,326	8,569,540	15,892,866	16,923,441

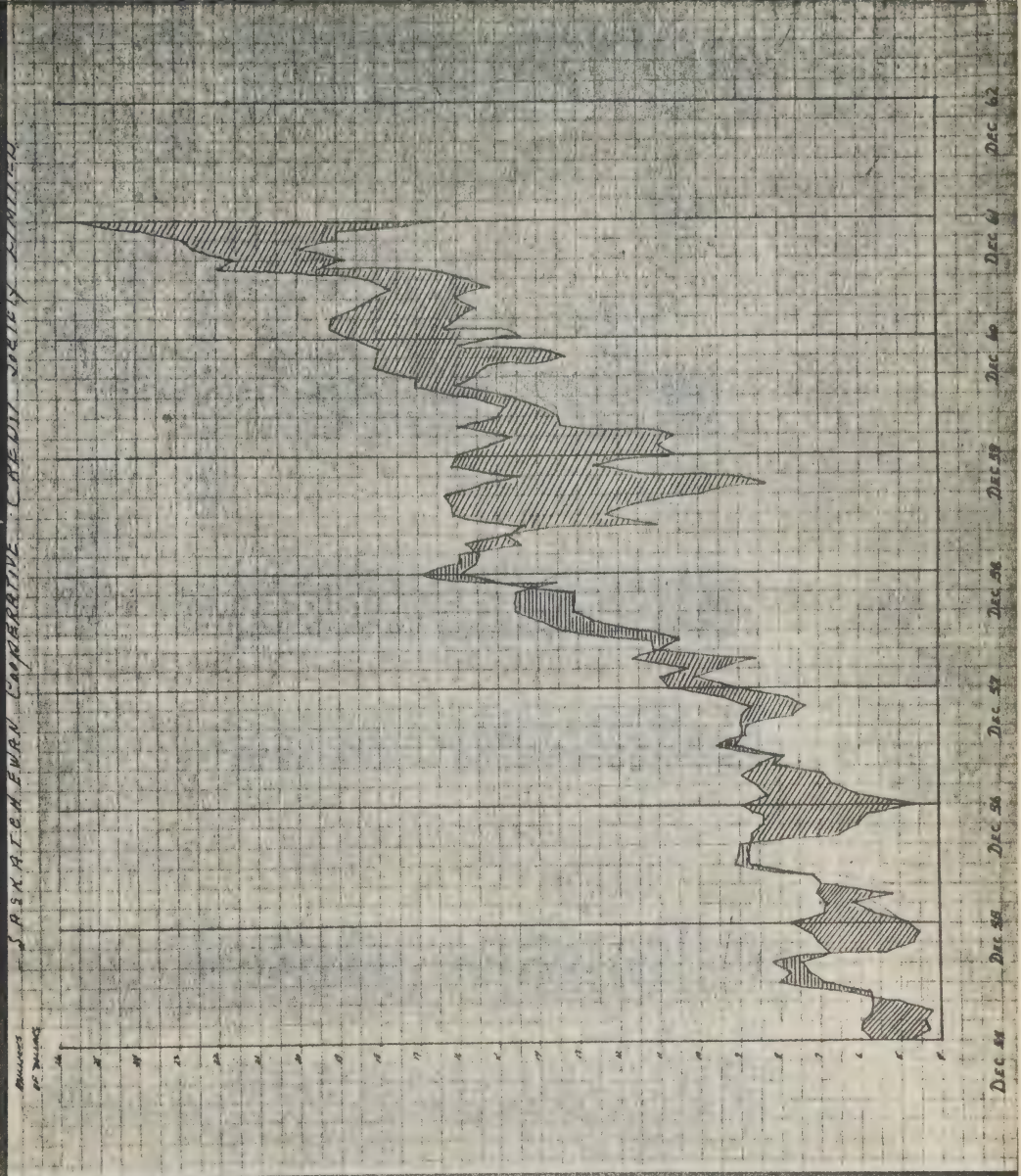




## SASKATCHEWAN CO-OPERATIVE CREDIT SOCIETY LIMITED (continued)

	DEPOSITS LESS 20% RESERVE	SHARES	TOTAL	LOANS TO MEMBERS
Jan. 1959	6,736,180	8,830,330	15,566,510	15,990,570
Feb.	6,213,852	9,233,660	15,447,512	15,943,152
Mar.	6,373,364	9,434,820	15,808,184	14,422,303
Apr.	4,936,558	9,712,690	14,649,248	14,797,425
May	4,529,934	9,799,030	14,328,964	11,055,223
June	6,302,516	9,836,090	16,138,606	12,314,152
July	6,064,420	10,109,610	16,174,030	11,646,961
Aug.	5,917,124	10,427,910	16,345,034	9,921,883
Sept.	5,032,018	10,460,760	15,492,778	8,325,001
Oct.	4,020,277	10,430,810	14,451,087	9,792,626
Nov.	5,679,754	10,488,810	16,168,564	12,119,979
Dec.	5,526,053	10,492,650	16,018,703	10,606,442
Jan. 1960	4,581,088	10,669,080	15,250,168	10,994,399
Feb.	3,879,147	10,795,740	14,674,887	10,689,433
Mar.	5,000,064	10,982,940	15,983,004	13,424,649
Apr.	3,939,756	11,016,540	14,956,296	13,507,292
May	3,669,476	11,144,500	14,813,976	13,999,356
June	4,423,800	11,288,440	15,712,240	14,689,493
July	5,436,191	11,587,050	17,023,241	16,008,293
Aug.	5,050,314	11,960,350	17,010,664	15,507,133
Sept.	5,814,060	12,316,550	18,130,610	15,310,851
Oct.	5,487,943	12,578,540	18,066,483	13,295,116
Nov.	5,240,883	12,735,940	17,976,823	15,996,601
Dec.	5,983,043	12,571,680	18,554,723	14,381,097
Jan. 1961	6,270,949	12,934,590	19,205,539	16,348,874
Feb.	5,939,548	13,234,100	19,173,648	15,908,641
Mar.	4,945,018	13,597,340	18,542,358	15,587,699
Apr.	4,480,544	13,661,660	18,142,204	16,046,827
May	3,927,971	13,684,590	17,612,561	15,203,899
June	4,555,481	13,717,550	18,273,031	15,738,516
July	7,769,346	14,204,130	21,973,476	19,424,356
Aug.	6,876,667	14,684,730	21,561,397	18,827,065
Sept.	7,289,550	15,267,790	22,557,340	19,929,734
Oct.	7,259,056	15,524,960	22,784,016	19,002,323
Nov.	8,125,528	15,793,840	23,919,368	18,933,254
Dec.	9,003,712	16,360,090	25,363,802	16,491,150





**LEGEND**  
 White Line - Available Pool (at end of period)  
 Gray Line - Loans in force  
 Angled Line - Pool of funds in excess of loans  
 Horizontal Line - Loans in excess of Pool of funds







ANALYSIS OF MEMBERS' SHARES AND DEPOSITS, LOANS PAYABLE AND LOANS TO MEMBERS

From January 1950 to December 1956

End of Month	Shares	Guarantee Fund (Shares)	Deposits	Total	Loans Payable (including Bank Overdrafts)	Loans to Members
1950						
January	\$240,342	\$ 68,495	\$10,273	\$319,110	--	\$251,688
February	246,855	79,253	10,273	336,381	--	238,456
March	252,193	91,738	9,533	353,464	--	260,096
April	223,905	98,043	9,533	331,481	\$25,386	308,532
May	227,855	99,894	9,283	337,032	11,100	300,374
June	204,538	99,821	9,283	313,642	9,522	276,880
July	183,021	100,621	9,283	292,925	46,451	294,864
August	176,421	100,621	7,283	284,325	45,971	287,452
September	163,324	100,923	7,283	271,530	45,302	275,469
October	163,334	101,864	7,583	272,781	38,278	270,936
November	164,255	102,748	11,583	278,586	18,029	257,102
December	159,755	102,827	12,342	274,924	10,668	239,489
1951						
January	158,040	109,677	12,342	380,059	--	300,288
February	161,660	120,028	15,583	297,271	--	192,670
March	163,032	131,518	11,583	306,153	--	214,303
April	172,552	137,860	11,593	322,005	10,204	288,995
May	166,166	139,985	11,593	317,744	26,906	302,365
June	160,196	140,216	11,593	312,005	45,790	316,456
July	163,699	140,221	11,593	315,513	46,228	321,689
August	164,087	140,289	11,593	315,969	36,225	313,220
September	171,820	140,868	7,593	320,281	26,835	309,149
October	177,504	141,978	7,593	327,075	15,736	306,431
November	191,239	143,631	11,593	346,463	--	292,947
December	194,747	141,273	11,600	347,620	--	302,577



End of Month	Shares	Guarantee Fund (Shares)	Deposits	Total	Loans Payable (including Bank Overdrafts)	Loans to Members
1952						
January	\$224,130	\$151,429	\$11,600	\$387,159	--	\$277,954
February	225,961	164,243	11,604	401,808	--	266,290
March	239,292	179,909	11,604	430,805	--	286,306
April	234,433	184,011	11,604	430,048	--	370,900
May	232,637	186,130	11,887	430,651	\$43,088	436,331
June	225,040	187,349	9,893	422,282	67,671	454,167
July	224,591	191,887	9,896	426,474	102,888	495,162
August	222,801	196,059	9,900	428,760	103,827	498,667
September	223,072	196,326	9,900	429,298	101,622	498,460
October	230,008	193,722	9,900	433,630	77,214	480,245
November	240,469	203,546	14,900	458,915	5,556	435,260
December						
1953						
January	250,954	225,736	10,556	487,246	--	395,482
February						
March	269,958	296,679	37,063	603,700	--	494,817
April	282,338	307,759	36,063	626,160	43,444	639,278
May	293,787	312,431	36,063	642,281	117,458	731,219
June	291,231	314,451	36,063	641,745	117,762	735,958
July	319,317	314,648	36,063	670,028	165,411	813,979
August	370,556	315,412	36,063	722,031	113,761	816,147
September	364,834	315,608	36,063	716,505	108,712	808,169
October	376,393	316,176	36,063	728,632	107,208	821,794
November	385,598	320,210	36,063	741,871	104,879	834,738
December	382,474	321,111	34,602	738,187	98,358	807,317





## ONTARIO CREDIT UNION LEAGUE LIMITED - continued

End of Month	1954	\$	Shares	Guarantee Fund (Shares)	Deposits	Total	Loans Payable (including Bank Overdrafts)	Loans to Members
January			399,131	\$352,392	\$34,602	\$ 786,125	\$ 27,853-	\$ 788,059
February			435,587	428,656	36,602	900,845	--	777,162
March			466,633	463,674	38,799	969,106	--	836,400
April			504,008	469,567	38,199	1,011,774	--	993,770
May			518,542	474,558	38,199	1,031,299	170,641	1,187,794
June			522,860	478,444	37,199	1,038,503	186,739	1,214,965
July			547,435	479,946	12,199	1,039,580	179,793	1,212,602
August			589,478	483,096	12,699	1,085,273	172,711	1,255,611
September			590,458	483,425	12,699	1,086,582	159,926	1,249,187
October			601,213	486,720	12,699	1,100,632	138,204	1,246,003
November			679,716	487,073	13,499	1,180,288	--	1,173,124
December			721,827	493,649	13,201	1,228,677	--	1,105,120
January	1955		828,141	531,719	5,201	1,365,061	--	1,008,984
February			1,051,133	667,926	4,001	1,723,060	--	1,051,835
March			1,096,277	673,483	4,001	1,773,761	--	1,243,860
April			1,066,415	674,243	4,001	1,744,659	--	1,583,350
May			1,067,684	683,710	3,501	1,754,895	--	1,934,030
June			1,075,199	681,433	3,501	1,760,133	--	1,998,392
July			1,088,545	687,000	3,001	1,778,546	232,020	2,000,820
August			1,102,445	689,353	3,001	1,794,799	212,099	1,880,809
September			1,203,595	691,631	3,001	1,898,227	75,000	1,830,162
October			1,267,255	692,194	3,001	1,962,450	--	1,770,835
November			1,314,085	697,779	3,001	2,023,865	--	1,754,138
December					12,001			



End of Month	Shares	Guarantee Fund (Shares)	Deposits	Total	Loans Payable (including Bank Overdrafts)	Loans to Members
1956						
January	\$1,434,605	\$753,275	\$ 12,001	\$2,199,881	--	\$1,664,750
February	1,434,435	856,218	12,001	2,302,654	\$ 25,000	1,693,153
March	1,436,017	905,792	12,001	2,353,810	--	1,784,239
April	1,538,295	917,827	22,001	2,478,123	--	2,111,163
May	1,509,171	922,380	22,001	2,453,552	50,000	2,604,261
June	1,478,437	918,390	3,001	2,399,828	256,459	2,685,124
July	1,481,564	924,340	3,001	2,408,905	264,111	2,711,741
August	1,471,456	925,882	3,001	2,400,339	280,526	2,729,799
September	1,568,938	921,181	3,001	2,493,120	330,704	2,882,243
October	1,715,578	930,627	7,933	2,654,138	22,000	2,710,651
November	1,728,102	935,940	19,052	2,683,094	--	2,692,435
December	1,476,237	936,805	232,057	2,645,099	--	2,513,582

\* Information not available





## ANALYSIS OF MEMBERS' SHARES AND DEPOSITS, LOANS PAYABLE AND LOANS TO MEMBERS

From January 1957 to December 1961

End of Month	Shares	Guarantee Fund (Shares)	Deposits	Total	Loans Payable (including Bank Overdrafts)	Loans to Members
1957						
January	\$1,493,620	\$ 982,942	\$390,482	\$2,867,044	--	\$2,327,130
February	1,529,862	1,076,098	401,117	3,007,077	1,216	2,266,978
March	1,540,813	1,120,410	397,015	3,038,238	39,482	2,567,951
April	1,547,012	1,141,386	348,749	3,037,147	75,341	2,852,576
May	1,468,484	1,158,095	236,992	2,863,571	295,751	3,218,996
June	1,412,448	1,173,874	193,372	2,779,694	405,216	3,256,387
July	1,405,366	1,191,169	159,143	2,755,678	453,264	3,291,109
August	1,428,518	1,193,900	164,411	2,786,829	519,530	3,398,226
September	1,457,774	1,193,017	177,614	2,828,405	494,283	3,426,581
October	1,449,632	1,196,694	236,690	2,883,016	262,000	3,249,372
November	1,511,434	1,207,175	266,168	2,984,777	106,179	3,211,904
December	1,488,025	1,219,744	271,213	2,978,982	--	2,965,364
1958						
January	1,646,075	1,305,869	363,201	3,315,145	--	2,810,475
February	1,737,947	1,391,096	368,920	3,497,963	8,760	2,762,910
March	1,902,658	1,446,254	581,781	3,930,693	9,564	3,007,530
April	1,927,524	1,452,664	654,168	4,034,356	--	3,484,869
May	1,954,709	1,450,122	652,389	4,057,220	--	3,916,582
June	1,965,166	1,460,821	613,090	4,039,077	139,175	4,293,511
July	2,029,494	1,506,293	554,519	4,090,306	290,746	4,512,435
August	2,029,859	1,515,312	461,131	4,006,302	242,955	4,389,263
September	2,124,073	1,521,133	504,686	4,149,892	85,000	4,338,080
October	2,192,902	1,520,347	567,997	4,281,246	65,000	4,387,315
November	2,255,806	1,524,370	617,227	4,397,403	--	4,488,377
December	2,289,562	1,519,430	630,223	4,439,215	--	4,413,190



ONTARIO CREDIT UNION LEAGUE LIMITED - continued

## LEAGUE CENTRAL.

End of Month	Shares	Guarantee Fund (Shares)	Deposits	Total	Loans Payable (including Bank Overdrafts)	Loans to Members
1959			\$	\$4,711,783	--	\$4,164,482
January	2,371,452	1,596,333	749,998	5,067,687	--	3,746,112
February	2,474,995	1,693,262	907,430	5,075,185	--	3,800,476
March	2,503,533	1,771,804	906,848	5,082,185	--	4,361,753
April	2,632,386	1,789,367	880,859	5,062,612	\$105,192	5,125,208
May	2,522,146	1,788,051	733,609	5,044,806	--	5,724,376
June	2,458,137	1,777,651	616,509	4,852,247	704,059	5,746,960
July	2,420,771	1,753,330	613,567	4,850,668	706,799	5,651,253
August	2,424,706	1,754,399	522,107	4,699,302	701,348	5,889,109
September	2,506,963	1,772,450	554,697	4,834,110	826,564	5,853,545
October	2,515,905	1,780,909	506,165	4,802,479	830,435	5,835,308
November	2,562,881	1,785,036	576,622	4,825,499	664,835	5,645,206
December	2,345,232	1,712,926	731,342	4,789,500	745,181	5,604,174
1960						
January	2,386,808	1,737,997	885,001	5,009,806	474,000	5,548,375
February	2,411,096	1,822,153	891,274	5,124,523	277,612	5,700,830
March	2,441,752	1,917,000	992,363	5,351,115	242,053	6,296,119
April	2,457,507	1,913,047	909,321	5,279,875	828,223	6,266,817
May	2,402,291	1,921,981	842,858	5,167,130	890,881	6,214,042
June	2,342,371	1,905,711	820,476	5,068,558	919,672	6,134,777
July	2,372,020	1,912,116	798,105	5,082,241	805,819	6,148,472
August	2,388,385	1,917,841	756,057	5,062,283	820,888	6,351,836
September	2,382,121	1,904,635	829,462	5,116,218	951,791	6,423,025
October	2,422,929	1,924,540	1,025,118	5,372,587	754,523	6,122,711
November	2,420,500	1,959,502	1,196,123	5,606,125	500,000	5,743,951
December	2,581,950	2,087,426	1,400,003	6,069,379	--	





ONTARIO CREDIT UNION LEAGUE LIMITED - continued

LEAGUE CENTRAL

End of Month	1961	Shares	Guarantee Fund (Shares)	Deposits	Total	Loans Payable (including Bank Overdrafts)	Loans to Members
January		\$ 2,652,141	\$2,121,980	\$1,690,784	\$6,464,905	--	\$5,145,038
February		2,720,218	2,186,921	1,850,386	6,757,525	--	4,907,100
March		2,760,556	2,183,139	1,913,914	6,839,609	--	4,879,931
April		2,762,690	2,235,067	1,963,373	6,961,130	\$ 75,128	5,301,760
May		2,821,239	2,202,456	1,996,175	7,019,870	--	5,792,125
June		2,820,534	2,164,462	1,747,052	6,732,048	237,303	6,562,198
July		2,799,877	2,148,351	1,646,186	6,594,414	--	6,778,004
August		2,816,670	2,145,890	1,556,603	6,519,163	--	6,871,277
September		2,929,236	2,143,757	1,568,203	6,641,196	--	6,843,111
October		3,026,444	2,148,331	1,735,599	6,910,374	--	6,532,559
November		3,098,306	2,159,427	1,943,480	7,201,213	--	6,285,520
December		3,156,308	2,167,026	2,064,640	7,387,974	--	5,984,644



ONTARIO CO-OPERATIVE CREDIT SOCIETY

A.362

	<u>DEPOSITS LESS 20% RESERVE</u>	<u>DEBEN- TURES</u>	<u>SHARES</u>	<u>TOTAL</u>	<u>LOANS TO MEMBERS</u>	<u>POOL IN EXCESS OF LOANS</u>	<u>LOANS IN EXCESS OF POOL</u>
Dec. 1954	655,311		107,010	762,321	579,093	183,228	
Jan. 1955	738,448		107,580	846,028	529,728	316,300	
Feb.	841,427		108,030	949,457	491,110	458,347	
Mar.	858,566		118,100	976,666	533,675	442,991	
Apr.	847,967		121,210	969,177	652,790	316,387	
May	828,322		121,120	949,442	707,856	241,586	
June	876,864		126,830	1,003,694	744,952	258,742	
July	823,511		130,170	953,681	724,775	228,906	
Aug.	827,128		130,290	957,418	713,248	244,170	
Sept.	886,815		130,640	1,017,455	815,765	201,690	
Oct.	890,308		140,050	1,030,358	715,282	315,076	
Nov.	862,743		145,540	1,008,283	702,419	305,864	
Dec.	940,402		148,360	1,088,762	813,859	274,903	
Jan. 1956	1,047,411		149,760	1,197,171	780,786	416,385	
Feb.	1,059,428		150,470	1,209,898	786,698	423,200	
March	1,084,388		166,350	1,250,738	769,434	481,304	
April	1,021,135		169,040	1,190,175	803,393	386,782	
May	963,992		170,070	1,134,062	861,537	272,525	
June	931,874		170,270	1,102,144	970,880	131,264	
July	1,000,298		170,400	1,170,698	1,196,191		25,493
Aug.	1,064,474		171,650	1,236,124	1,151,829	84,295	
Sept.	1,174,924		171,560	1,346,484	1,224,060	122,424	
Oct.	1,174,038	18,000	171,770	1,363,808	1,071,657	292,151	
Nov.	1,250,056	18,100	183,080	1,451,236	1,234,810	216,426	
Dec.	1,239,259	18,100	184,120	1,441,479	1,255,471	186,008	
Jan. 1957	1,374,936	51,100	186,910	1,612,946	1,183,731	429,215	
Feb.	1,415,738	62,900	188,830	1,667,468	1,039,984	627,484	
Mar.	1,412,223	65,000	190,160	1,667,383	1,045,514	621,869	
Apr.	1,329,347	71,600	193,030	1,593,977	1,109,308	484,669	
May	1,348,694	73,700	201,700	1,624,094	1,435,374	188,720	
June	1,377,537	77,800	211,780	1,667,117	1,691,372		24,255
July	1,264,665	111,800	222,090	1,598,555	1,719,284		120,729
Aug.	1,290,559	116,800	222,690	1,630,049	1,700,437		70,388
Sept.	1,506,082	123,000	224,460	1,853,542	1,709,301	144,241	
Oct.	1,391,846	128,000	226,380	1,746,226	1,589,601	156,625	
Nov.	1,577,618	128,000	229,180	1,934,798	1,683,041	251,757	
Dec.	1,669,950	130,000	235,160	2,035,110	1,691,028	344,082	
Jan. 1958	1,995,814	170,000	243,130	2,408,944	1,600,417	808,527	
Feb.	2,092,258	170,500	264,300	2,527,058	1,545,341	981,717	
Mar.	2,249,138	170,500	277,330	2,696,968	1,656,193	1,040,775	
Apr.	2,105,542	176,500	280,220	2,562,262	1,771,999	790,263	
May	2,111,410	179,000	282,660	2,573,070	1,782,195	790,875	
June	2,080,474	181,000	283,510	2,544,984	2,068,293	476,691	
July	2,029,168	181,000	284,340	2,494,508	2,224,465	270,043	
Aug.	2,129,777	181,500	289,130	2,600,407	2,290,008	310,399	
Sept.	2,295,270	182,000	291,350	2,768,620	2,063,087	705,533	
Oct.	2,578,151	189,000	293,340	3,060,491	2,195,447	865,044	
Nov.	2,888,119	191,000	297,110	3,376,229	2,240,221	1,136,008	
Dec.	2,847,432	191,000	364,450	3,402,882	2,243,991	1,158,891	





## ONTARIO CO-OPERATIVE CREDIT SOCIETY - continued

	DEPOSITS LESS 20% RESERVE	DEBEN- TURES	SHARES	TOTAL	LOANS TO MEMBERS	POOL IN EXCESS OF LOANS	LOANS IN EXCESS OF POOL
Jan. 1959	2,986,094	197,000	367,060	3,550,154	2,065,365	1,484,789	
Feb.	3,034,524	206,900	390,000	3,631,424	2,114,100	1,517,324	
Mar.	3,029,926	210,000	415,670	3,655,596	1,993,054	1,662,542	
Apr.	3,101,036	215,000	467,140	3,783,176	2,492,563	1,290,613	
May	2,894,632	215,000	476,680	3,586,312	2,859,342	726,970	
June	2,651,902	215,000	483,530	3,350,432	3,433,769		83,337
July	2,574,298	215,000	492,900	3,282,198	3,845,659		563,461
Aug.	2,658,693	215,000	494,290	3,367,983	3,925,057		557,074
Sept.	2,700,913	216,000	496,320	3,413,233	4,003,349		590,116
Oct.	2,804,466	218,000	496,600	3,519,066	4,038,446		519,380
Nov.	2,746,935	245,000	499,340	3,491,275	3,909,318		418,043
Dec.	3,048,787	263,000	508,050	3,819,837	3,769,354	50,483	
Jan. 1960	3,026,256	289,500	511,210	3,826,966	3,819,515	7,451	
Feb.	3,390,217	317,500	512,590	4,220,307	3,656,342	563,965	
Mar.	3,451,518	321,000	521,130	4,293,648	3,404,265	889,383	
Apr.	3,401,206	326,000	522,190	4,249,396	3,673,899	575,497	
May	3,388,653	326,600	523,700	4,238,953	3,994,667	244,286	
June	3,169,822	329,400	526,330	4,025,552	4,097,295		71,743
July	2,980,903	329,400	517,200	3,827,503	4,195,699		368,196
Aug.	2,967,903	329,400	518,550	3,828,853	4,275,877		447,024
Sept.	2,971,939	330,400	525,960	3,828,299	4,700,214		871,915
Oct.	3,604,405	339,400	539,250	4,483,055	4,869,575		386,520
Nov.	4,231,211	349,400	542,700	5,123,311	4,910,350	212,961	
Dec.	4,185,320	359,800	637,480	5,182,600	5,096,765	85,835	
Jan. 1961	4,819,247	408,600	648,720	5,876,567	4,569,546	1,307,021	
Feb.	5,673,298	411,100	661,710	6,746,108	4,439,258	2,306,850	
Mar.	5,626,625	422,200	674,970	6,723,795	5,183,993	1,539,802	
Apr.	5,262,776	539,200	695,160	6,497,136	4,430,826	2,066,310	
May	5,426,183	542,000	702,200	6,670,383	4,748,230	1,922,153	
June	4,773,298	578,000	709,640	6,060,938	5,618,280	442,658	
July	5,165,193	578,000	711,070	6,454,263	6,007,788	446,475	
Aug.	4,653,246	578,000	754,320	5,985,566	6,122,308		136,742
Sept.	4,671,764	570,900	788,750	6,031,414	5,778,102	253,312	
Oct.	5,221,761	572,700	804,620	6,599,081	5,437,939	1,161,142	
Nov.	5,742,061	572,700	824,260	7,139,021	5,425,599	1,713,422	
Dec.	5,842,743	580,300	843,970	7,267,013	5,103,384	2,163,629	



	LOANS TO MEMBERS				TOTAL LOANS TO MEMBERS	TOTAL OF DEPOSITS (less 20%) AND SHARES				B. C. CENTRAL	SASK. CO-OP	* ONT. LEAGUE	ONT. CO-OP	POOL IN EXCESS OF LOANS	LOANS IN EXCESS OF POOL	PERCENTAGE
	B. C. CENTRAL	SASK. CO-OP	ONT. LEAGUE	ONT. CO-OP												
June, 1956	3,532	9,148	2,685	.971	16,336	15,786	3,545	8,746	2,393	1,102				.350		- 3.48
July	3,706	9,024	2,712	1,196	16,638	15,939	3,528	8,838	2,403	1,170				.699		- 4.39
August	3,618	8,946	2,730	1,152	16,446	16,031	3,569	8,832	2,394	1,236				.415		+ 2.59
September	3,596	6,548	2,882	1,224	14,250	16,381	3,845	8,703	2,487	1,346			2,131		+ 13.01	
October	3,482	6,077	2,711	1,072	13,342	16,433	4,005	8,426	2,639	1,363			3,091		+ 18.81	
November	3,202	5,832	2,692	1,235	12,961	16,817	4,293	8,432	2,641	1,451			3,856		+ 22.93	
December	3,529	4,684	2,514	1,255	11,982	17,671	4,737	8,893	2,600	1,441			5,689		+ 32.19	
Jan. 1957	3,262	6,039	2,327	1,184	12,812	17,059	4,369	8,290	2,788	1,612			4,247		+ 24.90	
February	3,203	6,738	2,267	1,040	13,248	17,650	4,441	8,575	2,967	1,667			4,402		+ 24.94	
March	3,585	6,873	2,568	1,046	14,072	17,929	4,394	8,890	2,978	1,667			3,857		- 21.51	
April	4,029	8,151	2,853	1,109	16,142	17,358	4,232	8,565	2,968	1,593			1,216		- 7.01	
May	4,690	7,876	3,219	1,435	17,220	16,221	3,724	8,056	2,817	1,624				.999		- 6.16
June	5,411	9,515	3,256	1,691	19,873	17,999	4,451	9,131	2,750	1,667				1,874		- 10.41
July	5,326	8,845	3,291	1,719	19,381	17,496	4,243	8,932	2,723	1,598				1,885		- 10.77
August	5,697	8,753	3,398	1,700	19,548	17,487	4,135	8,970	2,752	1,630				2,061		- 11.79
September	5,977	7,620	3,427	1,709	18,733	18,196	4,603	8,946	2,794	1,853				.537		- 2.95
October	5,924	7,353	3,249	1,590	18,116	17,777	4,470	8,727	2,834	1,746			.999	.339		- 1.91
November	5,503	7,774	3,212	1,683	18,172	19,171	4,887	9,419	2,931	1,934						+ 5.21
December	5,977	9,146	2,965	1,691	19,779	21,120	5,366	10,795	2,924	2,035			1,341		- 6.35	
Jan. 1958	5,478	10,148	2,810	1,600	20,036	21,730	5,128	10,951	3,243	2,408			1,694		+ 7.80	
February	5,211	9,434	2,763	1,545	18,953	21,344	5,073	10,321	3,423	2,527			2,391		+ 11.20	
March	5,171	8,625	3,008	1,656	18,460	23,426	5,254	11,662	3,814	2,696			4,966		+ 21.12	
April	5,302	11,222	3,485	1,772	21,781	22,763	5,347	10,950	3,904	2,562			.982		+ 4.31	
May	5,774	11,447	3,917	1,782	22,920	22,266	5,267	10,499	3,927	2,573				.654		+ 2.94
June	6,215	13,434	4,294	2,068	26,011	23,311	5,594	11,256	3,917	2,544				2,700		- 11.58
July	6,325	13,931	4,512	2,224	26,992	24,579	5,448	12,657	3,980	2,494				2,413		- 9.82
August	6,547	14,529	4,389	2,290	27,755	25,342	5,638	13,190	3,914	2,600				2,413		- 9.52
September	6,470	14,603	4,338	2,063	27,474	26,036	6,077	13,143	4,048	2,768				1,438		- 5.52
October	5,921	14,555	4,387	2,195	27,058	26,376	6,048	13,100	4,168	3,060				.682		- 2.59
November	5,300	13,596	4,488	2,240	25,624	28,843	6,178	15,024	4,265	3,376			3,219		+ 11.16	
December	5,381	16,923	4,413	2,244	28,961	30,357	6,750	15,892	4,313	3,402			1,396		+ 4.60	





## SUMMARY OF INFORMATION AS TO CENTRAL TYPE CREDIT UNION ASSOCIATIONS

## IN MILLIONS OF DOLLARS

IN MILLIONS OF DOLLARS	LOANS TO MEMBERS				TOTAL LOANS TO MEMBERS	TOTAL DEPOSITS (less 20%) AND SHARES	B. C. CENTRAL	SASK. CO-OP	POOL		LOANS		PERCENTAGE
	B. C. CENTRAL	SASK. CO-OP	ONT. LEAGUE	ONT. CO-OP					IN EXCESS OF LOANS	IN EXCESS OF POOL			
Jan. 1959	5.198	15.991	4.164	2.065	27.418	29.860	6.177	15.566	4.567	3.550	2.442		+ 8.18
February	5.086	15.943	3.746	2.114	26.889	30.138	6.166	15.447	4.894	3.631	3.249		+ 10.78
March	5.490	14.422	3.800	1.993	25.705	31.243	6.689	15.808	5.091	3.655	5.538		+ 17.73
April	5.964	14.797	4.362	2.493	27.616	29.802	6.244	14.649	5.126	3.783	2.186		+ 7.34
May	6.309	11.055	5.125	2.859	25.348	28.912	6.101	14.328	4.897	3.586	3.564		+ 12.33
June	7.037	12.314	5.724	3.433	28.508	30.581	6.374	16.138	4.719	3.350	2.073		+ 6.78
July	7.818	11.647	5.747	3.846	29.058	30.042	5.859	16.174	4.727	3.282	.984		+ 3.28
August	8.296	9.922	5.651	3.925	27.794	30.326	5.949	16.345	4.665	3.367	2.532		+ 8.35
September	8.534	8.325	5.889	4.003	26.751	29.943	6.314	15.492	4.724	3.413	3.192		+ 10.66
October	8.198	9.793	5.853	4.038	27.882	28.987	6.316	14.451	4.701	3.519	1.105		+ 3.81
November	7.792	12.120	5.835	3.909	29.656	31.091	6.621	16.168	4.811	3.491	1.435		+ 4.62
December	7.989	10.606	5.645	3.769	28.009	31.873	7.393	16.018	4.643	3.819	3.864		+ 12.12
Jan. 1960	8.030	10.994	5.604	3.820	28.448	30.981	7.082	15.250	4.823	3.826	2.533		+ 8.18
February	7.862	10.689	5.548	3.656	27.755	30.767	6.930	14.674	4.943	4.220	3.012		+ 9.79
March	8.106	13.425	5.701	3.404	30.636	32.511	7.083	15.983	5.152	4.293	1.875		+ 5.77
April	7.999	13.507	6.296	3.674	31.476	31.249	6.945	14.956	5.099	4.249	.227		- .71
May	8.323	13.909	6.266	3.994	32.492	31.281	7.230	14.813	5.000	4.238	1.211		- 3.87
June	8.675	14.689	6.214	4.097	33.675	32.059	7.418	15.712	4.904	4.025	1.616		- 5.04
July	9.124	16.008	6.135	4.195	35.462	32.835	7.062	17.023	4.923	3.827	2.627		- 8.00
August	8.952	15.507	6.148	4.276	34.883	33.099	7.349	17.010	4.912	3.828	1.784		- 5.39
September	9.279	15.311	6.352	4.700	35.642	34.458	7.549	18.130	4.951	3.828	1.184		- 3.44
October	8.382	13.295	6.423	4.870	32.970	35.686	7.970	18.066	5.167	4.483	2.716		+ 7.61
November	7.962	15.997	6.122	4.910	34.991	36.560	8.004	17.976	5.457	5.123	1.569		+ 4.29
December	7.965	14.381	5.744	5.097	33.187	38.378	8.853	18.554	5.789	5.182	5.191		+ 15.64

\* Ontario Credit Union League is not registered under the Co-operative Credit Associations Act and accordingly is not required to comply with the liquidity reserve provisions thereof. In order to obtain uniformity 20% of the deposits have been deducted from the total of its shares and deposits for the purpose of this summary.



SCHEDULE 9  
TO THE BRIEF OF NACCU TO  
THE ROYAL COMMISSION ON BANKING AND FINANCE

A.366

Source material re figures appearing page 40 of Brief with respect to the growth of shares and deposits for the past five years.

IN MILLIONS OF DOLLARS

BRITISH COLUMBIA CREDIT UNIONS

		Shares	Deposits
Central's	1956	42.	2.4
Reports to question-	1957	51.4	3.5
consolidated	1958	64.4	3.6
(Balance sheets)	1959	79.5	4.7
	1960	90.	4.3

ALBERTA CREDIT UNIONS

From annual reports	1956	11.7	.9
Alberta Credit	1957	13.8	.8
Reports published by	1958	17.0	1.0
(Alberta	1959	20.6	1.0
Government)	1960	24.4	1.4

SASKATCHEWAN CREDIT UNIONS

	1956	28.8	6.5
	1957	33.7	7.6
	1958	42.9	9.5
	1959	53.5	10.5
	1960	66.9	13.9

MANITOBA CREDIT UNIONS

From Inspector of	1956	13.0	3.4
Credit Unions con-	1957	16.2	3.6
solidated balance	1958	20.6	4.3
(t)	1959	25.6	5.0
	1960	31.5	5.8

ONTARIO CREDIT UNIONS

From Supervisor of	1956	73.2	20.7
Credit Unions Depart-	1957	90.9	22.4
ment of Insurance	1958	111.8	28.7
Consolidated balance	1959	136.1	33.3
(t)	1960	161.9	39.7

QUEBEC CREDIT UNIONS

Not Available

NOVA SCOTIA CREDIT UNIONS

Not Available

B. C. CENTRAL CREDIT UNION

(From answer to	1956	.8	5.
questionnaire share	1957	.8	5.8
& deposit liability	1958	.9	7.2
P. 7 and 8)	1959	1.0	7.4
	1960	1.1	9.6

ALBERTA CENTRAL CREDIT UNION

(From annual reports	1956	.5	.01
of the Alberta	1957	.6	.01
Central Credit Union	1958	.9	.001
Limited)	1959	1.0	.2
	1960	1.1	.6

SASKATCHEWAN CO-OP CREDIT SOCIETY

(Reports to Minister	1956	5.5	3.6
of Co-operation)	1957	5.8	4.4
	1958	8.2	8.3
	1959	10.4	7.0
	1960	12.6	7.5

MANITOBA CO-OP CREDIT SOCIETY

(From report of	1956		
Superintendent of	1957	.5	.7
Insurance)	1958	.5	.9
	1959	.6	.7
	1960	.6	1.2

ONTARIO CREDIT UNION LEAGUE CENTRAL

(Analysis provided	1956	2.4	.2
by the League)	1957	2.7	.3
	1958	3.8	.6
	1959	4.0	.7
	1960	4.6	1.4

ONTARIO CO-OP CREDIT SOCIETY

(Ex. 5 & Ex. 4	1956	.2	1.6
Brief)	1957	.3	2.2
	1958	.4	3.6
	1959	.5	3.9
	1960	.6	5.2

QUEBEC CENTRAL CREDIT UNION

(Page 77 of Brief)	1956	.11	Nil
	1957	.13	"
	1958	.18	"
	1959	.28	"
	1960	.32	.046

NOVA SCOTIA CREDIT UNION LEAGUE

(Table 3 of Brief)	1956		
	1957		
	1958		
	1959	.2	1.8
	1960	.22	2.2
(Apr. 30)	1961	.24	2.4





COMPARISON OF CERTAIN FACTORS IN CONSOLIDATED CREDIT UNION BALANCE SHEETS  
AT YEAR ENDS (EXCLUDING CENTRAL TYPE ORGANIZATIONS)

IN MILLIONS OF DOLLARS	CASH & INVESTMENTS		LOANS TO MEMBERS		S H A R E S		D E P O S I T S		B O R R O W I N G S	
CREDIT UNIONS	TOTAL	INCREASE or (DECREASE)	TOTAL	INCREASE or (DECREASE)	TOTAL	INCREASE or (DECREASE)	TOTAL	INCREASE or (DECREASE)	TOTAL	INCREASE or (DECREASE)
<b>BRITISH COLUMBIA</b>										
CREDIT UNIONS										
1956	4.84	.36	43.76	9.02	42.05	8.53	2.40	(.36)	2.86	.83
1957	6.65	1.81	54.04	10.28	51.44	9.39	3.45	1.05	4.24	1.38
1958	8.49	1.84	64.84	10.80	64.43	12.99	3.60	.15	3.68	(.56)
1959	9.69	1.20	82.15	17.31	79.53	15.10	4.76	1.16	5.47	1.79
1960	11.97	2.28	90.24	8.09	90.00	10.47	4.35	(.41)	5.49	.02
<b>A L B E R T A</b>										
CREDIT UNIONS										
1957	3.43	.43	12.28	1.74	13.76	2.09	.84	(.09)	.32	.18
1958	4.36	.93	14.87	2.59	17.04	3.28	1.02	.18	.24	(.08)
1959	4.64	.28	18.72	3.85	20.61	3.57	1.04	.02	.62	.48
1960	5.83	1.19	22.27	3.55	24.38	3.77	1.35	.31	1.13	.51
<b>SASKATCHEWAN</b>										
CREDIT UNIONS										
1951	6.05	2.06	8.76	.51	10.15	2.16	3.91	1.42	.46	(.98)
1952	8.10	2.05	12.76	4.00	13.91	3.76	5.26	1.35	1.21	.75
1953	9.39	1.29	18.31	5.55	19.33	5.32	5.77	.51	2.01	.80
1954	8.95	(.44)	19.50	1.19	21.69	2.36	4.90	(.87)	1.22	(.79)
1955	10.12	1.17	20.91	1.41	24.00	2.31	4.93	.03	1.54	.32
1956	12.93	2.81	24.33	3.42	28.80	4.80	6.51	1.58	1.23	(.31)
1957	15.73	2.80	27.62	3.29	33.69	4.89	7.63	1.12	1.07	(.16)
1958	21.52	5.79	32.88	5.26	42.90	9.91	9.56	1.93	.99	(.08)
1959	24.41	2.89	44.71	11.83	53.54	10.64	10.55	.99	3.79	2.80
1960	29.46	5.05	55.71	11.00	66.88	13.34	13.92	3.37	3.12	(.67)



## COMPARISON OF CERTAIN FACTORS IN CONSOLIDATED CREDIT UNION BALANCE SHEETS - continued

IN MILLIONS OF DOLLARS	CASH & INVESTMENTS		LOANS TO MEMBERS		S H A R E S		D E P O S I T S		B O R R O W I N G S	
	TOTAL	* INCREASE or (DECREASE)	TOTAL	* INCREASE or (DECREASE)	TOTAL	* INCREASE or (DECREASE)	TOTAL	* INCREASE or (DECREASE)	TOTAL	* INCREASE or (DECREASE)
CREDIT UNIONS										
M A N I T O B A										
CREDIT UNIONS									Other Liabilities	
1951	1.89	.54	4.67	.49	3.91	3.75	2.23	.19	.17	.01
1952	2.27	.38	6.05	1.38	5.05	1.14	2.65	.42	.30	.13
1953	2.23	(.04)	8.69	2.64	6.62	1.57	2.87	.22	.98	.68
1954	2.51	.28	10.57	1.88	8.74	2.12	2.84	(.03)	.84	(.14)
1955	2.85	.34	12.27	1.70	10.60	1.86	2.87	.03	.87	.03
1956	3.40	.55	15.09	2.82	13.07	2.47	3.42	.55	1.01	.14
1957	3.79	.39	18.31	3.22	16.29	3.22	3.60	.18	.99	(.02)
1958	4.81	1.02	22.57	4.26	20.59	4.30	4.32	.72	1.00	.01
1959	5.24	.43	29.08	6.51	25.61	5.02	5.02	.70	1.96	.96
1960	6.38	1.14	35.28	6.20	31.48	5.87	5.76	.74	2.15	.19
O N T A R I O										
CREDIT UNIONS										
1957	20.35	1.52	107.39	20.76	90.90	17.66	22.43	1.76	4.66	.79
1958	26.80	6.45	132.18	24.79	111.79	20.89	28.73	6.30	6.44	1.78
1959	28.83	2.03	165.35	33.17	136.14	24.35	33.32	4.59	9.43	2.99
1960	35.38	6.55	194.92	29.57	163.20	27.06	39.66	6.34	8.99	(.44)

\* INCREASE or  
(DECREASE) - over previous yearNOTE: With the exception of Saskatchewan all figures were taken from reports of Inspection Departments.  
The Saskatchewan figures are taken from Schedule 8, pages 7 and 8

NOTE: Figures for provinces east of Ontario were not available.







SCHEDULE 11

(Submission of NACCU to the Royal  
Commission on Banking and Finance)

FIGURES SHOWING LIQUIDITY

RESERVES OF CENTRALS

1. B. C. Central Credit Union, pages A.370 to A.373.
2. Saskatchewan Co-operative Credit Society Ltd.  
pages A.374 to A.375.
3. Ontario Co-operative Credit Society, page A.376.



Department of the Interior  
Bureau of Land Management

1.380

SCHEDULE 11

(Submission of NACCU to the Royal  
Commission on Banking and Finance)

FIGURES SHOWING LIABILITIES

INTEREST ON DEBTS

1. B. C. Central Credit Union, pages A.370 to A.373.
2. Jacobson & Co. Ltd., pages A.374 to A.375.
3. Ontario Development Credit Society, pages A.376 to A.377.

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## BRIEF OF B. C. CENTRAL CREDIT UNION

## LIQUIDITY HISTORY OF B. C. CENTRAL CREDIT UNION AND RECORD OF BORROWINGS

	LIQUIDITY RESERVE REQUIREMENTS (Co-op Credit Ass'n Act, Sec. 44 & 45)			ACTUAL BALANCES ON HAND		INVESTMENTS HYPOTHECATED (excluded from "Balance in Investments"		ACTUAL FUNDS	
	CASH	INVESTMENTS		In CASH	In INVESTMENTS	TOTAL	In excess of REQUIREMENTS	Short of REQUIREMENTS	
		TOTAL							
March 31, 1955	148,632	445,896	594,528	315,849	766,785	1,082,634	488,106	86,443	
June 30	142,583	427,749	570,332	278,165	205,724	483,889		41,907	
Sept. 30	154,777	464,332	619,109	391,251	185,950	577,201			
Dec. 31	159,000	568,000	727,000	745,000	795,000	1,540,000			
Mar. 31, 1956	187,000	561,000	748,000	577,000	1,033,000	1,560,000			
June 30	182,000	547,000	729,000	359,000	441,000	800,000			
Sept. 30	193,000	579,000	772,000	354,000	735,000	1,089,000			
Dec. 31	248,403	745,211	993,614	852,770	1,303,264	2,156,034			
March 31, 1957	232,996	698,988	931,984	401,415	1,348,275	1,749,690			
June 30	232,090	696,270	928,360	553,589	320,750	874,339	200,000		
Sept. 30	241,678	725,037	966,715	669,124	327,168	996,292	300,000		
Dec. 31	291,527	874,572	1,166,099	892,779	477,935	1,370,714	250,000		
March 31, 1958	282,532	847,597	1,130,130	443,532	700,000	1,143,532	350,000		
June 30	296,810	890,430	1,187,240	627,010	750,000	1,377,010	350,000		
Sept. 30	325,528	976,584	1,302,112	521,654	815,000	1,336,654	165,000		
Dec. 31	364,751	1,094,253	1,459,004	1,070,429	1,525,987	2,596,416			
								1,137,412	
								54,020	





LIQUIDITY HISTORY OF B. C. CENTRAL CREDIT UNION AND RECORD OF BORROWINGS - continued

	LIQUIDITY RESERVE REQUIREMENTS (Co-op Credit Ass'n Act, Sec. 44&45)			ACTUAL BALANCES ON HAND		INVESTMENTS HYPOTHECATED (excluded from "Balance in Investments")	ACTUAL FUNDS		
	CASH	INVESTMENTS	TOTAL	In CASH	In INVESTMENTS		TOTAL	In excess of REQUIREMENTS	Short of REQUIREMENTS
March 31, 1959	363,540	1,090,620	1,454,160	1,384,004	1,248,500	2,632,504	1,178,344		
June 30	335,814	1,007,442	1,343,256	1,079,188	551,560	1,630,749	500,000	287,492	
Sept. 30	331,558	994,675	1,326,233	1,056,580	675,673	1,732,254	450,000	406,020	
Dec. 31	371,368	1,114,105	1,486,473	1,130,869	759,285	1,890,154	428,000	403,681	
March 31, 1960	378,735	1,136,205	1,514,940	814,146	682,832	1,496,978	550,000	17,962	
June 30	392,765	1,178,294	1,571,059	1,061,844	713,877	1,775,721	500,000	54,302	
Sept. 30	401,435	1,204,305	1,605,740	832,239	719,199	1,551,438	775,000		
Dec. 31	481,291	1,443,874	1,925,165	1,531,296	1,420,926	2,952,222		1,027,057	
March 31, 1961	510,879	1,532,638	2,043,517	1,016,257	2,689,770	3,706,027	1,662,510		
June 30	479,825	1,439,475	1,919,300	752,248	1,730,705	2,482,953	563,653		
Sept. 30	544,007	1,632,021	2,176,028	1,003,927	1,374,616	2,378,543	800,000	202,515	
Dec. 31	604,631	1,813,894	2,418,525	2,099,496	1,947,114	4,046,610	300,000	1,628,085	

(Dec. 31, 1961 figures subject to year-end audit)



B. C. CENTRAL CREDIT UNION

A.372

	ACTUAL FUNDS		MAXIMUM BORROWINGS PERMITTED	ACTUAL		BORROWINGS		UNUSED BORROWING * PERMISSION
	In excess of REQUIREMENTS	Short of REQUIREMENTS		DEPOSITS	From BANKS	From CANADIAN CO-OP CREDIT SOC.		
March 31, 1955	488,106		3,866,210	2,972,651	100,000			793,559
June 30		86,443	4,500,000	2,852,000	600,000			1,048,000
Sept. 30		41,907	4,854,607	3,095,544	510,000			1,249,062
Dec. 31	782,000		5,004,000	3,790,000				1,214,000
March 31, 1956	832,000		5,303,000	3,738,000				1,565,000
June 30	72,000		6,985,000	3,646,000	420,000			2,919,000
Sept. 30	317,000		8,210,000	3,862,000	235,000			4,113,000
Dec. 31	1,162,420		8,196,173	4,968,072				3,228,101
March 31, 1957	817,796		7,677,975	4,659,924				3,018,051
June 30		54,020	7,287,507	4,641,800	1,565,000	200,000		880,706
Sept. 30	29,576		7,900,926	4,833,574	1,985,000	300,000		782,351
Dec. 31	204,615		8,174,146	5,830,547	1,320,547	250,000		773,052
March 31, 1958	13,401		8,910,540	5,650,653	305,000	350,000		2,604,887
June 30	189,770		10,246,360	5,936,210	1,170,000	350,000		2,790,150
Sept. 30	34,542		10,167,137	6,520,147	560,000	165,000		2,921,989
Dec. 31	1,137,412		9,649,298	7,295,024	59,731			2,294,533
March 31, 1959	1,178,344		10,581,160	7,270,785	20,000			3,110,375
June 30	287,492		11,850,247	6,739,215	1,150,000	500,000		3,461,031
Sept. 30	406,020		11,818,292	6,646,750	2,935,843	450,000		1,785,697
Dec. 31	403,681		11,223,410	7,427,373	1,925,000	428,000		1,443,037
March 31, 1960		17,962	12,416,850	7,574,702	1,325,000	550,000		2,967,148
June 30	204,662		13,824,120	7,855,292	1,735,000	500,000		3,733,828
Sept. 30		54,302	13,816,400	8,024,698	1,800,000	775,000		3,216,702
Dec. 31	1,027,057		13,138,850	9,625,828	525,000			2,988,022





B. C. CENTRAL CREDIT UNION

	ACTUAL FUNDS		MAXIMUM BORROWINGS PERMITTED	DEPOSITS	ACTUAL BORROWINGS		UNUSED BORROWING * PERMISSION
	In excess of REQUIREMENTS	Short of REQUIREMENTS			From BANKS	From CANADIAN CO-OP CREDIT SOC.	
March 31, 1961	1,662,510		14,963,500	10,217,590			4,745,910
June 30	563,653		15,111,300	9,596,505	741,000		5,373,795
Sept. 30	202,515		16,133,910	10,880,142	1,466,000	800,000	2,987,768
Dec. 31	1,628,085		16,052,060	12,092,624		300,000	3,659,436

(Dec. 31, 1961 figures subject to year-end audit)

\* Liquidity expressed as borrowings permitted by Act but not used, can be increased by amount of borrowings from Canadian Co-operative Credit Society Ltd. These borrowings are fully secured by bonds. A sale of the bonds with the consequent reduction in actual borrowings (proceeds being used to pay off Canadian Co-operative Credit Society) would have the effect of increasing our ability to borrow and so would mean increases in certain totals shown in "Unused Borrowing Permission".



LIQUIDITY RESERVE REQUIREMENTS  
(Co-op Credit Ass'n Act, Sec. 44 & 45)

## CASH

## INVESTMENTS

## TOTAL

## In

## CASH

## In

## INVESTMENTS

## TOTAL

## ACTUAL BALANCES ON HAND

INVESTMENTS  
HYPOTHECATED  
(excluded from "Balance  
in Investments")

## ACTUAL FUNDS

In Excess of  
REQUIREMENTSShort of  
REQUIREMENTS

March 31, 1955

116,171

348,513

464,684

34,507

2,596,386

2,630,893

2,166,209

June 30

175,275

525,825

701,100

142,932

912,313

1,055,245

354,145

Sept. 30

145,242

435,726

580,968

65,264

2,704,834

2,770,098

2,189,130

Dec. 31

199,001

597,003

796,004

526,897

4,175,577

4,702,474

3,906,470

March 31, 1956

149,130

447,390

596,520

289,097

2,804,480

3,093,577

2,497,057

June 30

229,030

687,090

916,120

893,513

379,300

1,272,813

356,693

Sept. 30

198,712

596,136

794,848

439,799

3,518,339

3,958,138

3,163,290

Dec. 31

227,146

681,438

908,584

634,269

5,238,439

5,872,708

4,964,124

March 31, 1957

205,191

615,573

820,764

111,729

5,287,742

5,399,471

4,578,707

June 30

219,478

658,434

877,912

527,110

1,342,252

1,869,362

991,450

Sept. 30

197,302

591,906

789,208

740,213

2,678,508

3,418,721

2,629,513

Dec. 31

300,157

900,471

1,200,628

1,100,819

2,568,096

3,668,915

2,468,287

March 31, 1958

303,544

910,632

1,214,176

247,766

4,754,972

5,002,738

3,788,562

June 30

254,766

764,298

1,019,084

322,600

978,373

322,600

696,464

Sept. 30

305,057

915,171

1,220,228

220,154

1,198,527

4,710,000

21,701

Dec. 31

457,708

1,473,124

1,930,832

633,336

1,164,050

1,797,386

133,446

March 31, 1959

398,335

1,195,005

1,593,340

616,726

3,571,114

4,187,840

2,594,500

June 30

393,955

1,181,871

1,575,828

2,311,339

3,548,417

5,859,756

4,283,928

Sept. 30

314,501

943,503

1,258,004

1,086,321

7,907,027

8,993,348

7,735,344

Dec. 31

345,378

1,036,134

1,381,512

1,451,063

6,216,942

7,668,005

6,286,493

March 31, 1960

312,504

937,512

1,250,016

404,798

7,283,469

7,688,267

6,438,251

June 30

276,437

829,311

1,105,748

979,927

2,590,811

3,570,738

2,464,990

Sept. 30

363,379

1,090,137

1,453,516

1,255,314

4,457,125

5,712,439

4,258,923

Dec. 31

373,940

1,121,820

1,495,760

1,421,416

5,841,428

7,262,844

5,767,084

March 31, 1961

309,064

927,192

1,236,256

724,340

5,160,364

5,884,704

4,648,448

June 30

284,718

854,154

1,138,872

919,664

4,334,396

5,254,060

4,115,188

Sept. 30

450,597

1,351,791

1,802,388

1,263,696

4,964,586

6,228,282

4,425,894

Dec. 31

562,732

1,688,196

2,250,928

1,559,624

11,169,542

12,729,166

10,478,238





## SASKATCHEWAN CO-OPERATIVE CREDIT SOCIETY LIMITED

	ACTUAL FUNDS		MAXIMUM		ACTUAL BORROWINGS		UNUSED BORROWING PERMISSION
	In excess of REQUIREMENTS	Short of REQUIREMENTS	BORROWING PERMITTED		DEPOSITS	OTHER	
March 31, 1955	216,209		41,102,940		2,323,413	1,990,000	36,789,527
June 30	354,145		43,257,400		3,505,494	2,750,000	37,001,906
Sept. 30	2,189,130		47,189,600		2,904,848	970,000	43,314,752
Dec. 31	3,906,470		48,002,000		3,980,029		44,021,971
March 31, 1956	2,497,057		49,878,800		2,982,606	1,650,000	45,246,194
June 30	356,693		56,004,680		4,580,611	4,300,000	47,124,069
Sept. 30	3,163,290		58,621,690		3,974,242	1,500,000	53,147,448
Dec. 31	4,964,124		56,151,100		4,542,923	200,000	51,408,177
March 31, 1957	4,578,707		59,032,630		4,103,814	160,000	54,768,816
June 30	991,450		60,162,960		4,389,757	4,000,000	51,773,203
Sept. 30	2,629,513		62,086,100		3,946,036	2,900,000	55,240,064
Dec. 31	2,468,287		64,358,040		6,003,148	3,000,000	55,354,892
March 31, 1958	3,788,562		72,748,560		6,070,871	825,000	65,852,689
June 30		696,464	76,738,200		5,095,323	5,825,000	65,817,877
Sept. 30		21,701	87,865,480		6,101,148	4,710,000	77,054,332
Dec. 31		133,446	91,229,600		9,154,158	4,680,000	77,395,442
March 31, 1959	2,594,500		100,187,890		7,966,705	3,612,000	88,609,185
June 30	4,283,928		104,461,390		7,879,146	6,740,000	89,842,244
Sept. 30	7,735,344		111,050,940		6,290,024	5,002,000	99,758,916
Dec. 31	6,286,493		111,674,420		6,907,568	3,139,000	101,627,852
March 31, 1960	6,438,251		116,880,930		6,250,081	935,000	109,695,849
June 30	2,464,990		120,255,410		5,528,742	5,221,000	109,505,668
Sept. 30	4,258,923		130,926,580		7,267,576	3,833,000	119,826,004
Dec. 31	5,767,084		133,863,150		7,478,805	2,779,000	123,605,345
March 31, 1961	4,648,448		144,504,630		6,181,273	4,169,000	134,154,357
June 30	4,115,188		146,122,270		5,694,352	5,317,000	135,110,918
Sept. 30	4,425,894		162,120,170		9,011,939	5,534,000	147,574,231
Dec. 31	10,478,238		173,548,420		11,254,642	2,413,000	159,880,778



# LIQUIDITY HISTORY OF ONTARIO CO-OPERATIVE CREDIT SOCIETY

A.376

	LIQUIDITY RESERVE REQUIREMENT			ACTUAL BALANCES ON HAND			ACTUAL FUNDS	
	CASH	INVESTMENTS	TOTAL	In CASH	In INVESTMENTS	TOTAL	In excess REQUIREMENTS	Short of REQUIREMENTS
March 31, 1955	53,660	160,980	214,640	75,098	--	75,098		139,542
June 30	54,804	164,412	219,216	205,242	--	205,242		-13,974
Sept. 30	55,425	166,278	221,703	146,927	--	146,927		74,776
Dec. 31	58,775	176,325	235,100	264,152	156,733	420,885	185,785	
March 31, 1956	67,774	203,322	271,096	124,572	319,097	443,669	172,573	
June 30	58,242	174,726	232,968	74,769	220,813	295,582	62,614	
Sept. 30	73,432	220,298	293,730	124,467	220,813	345,280	51,550	
Dec. 31	77,454	232,361	309,815	169,411	218,823	388,234	78,419	
March 31, 1957	88,263	264,792	353,055	53,904	786,135	840,039	486,984	41,062
June 30	86,096	258,288	344,384	84,499	218,823	303,322	13,773	
Sept. 30	94,130	282,390	376,520	172,293	218,000	390,293	217,185	
Dec. 31	104,372	313,115	417,487	309,623	325,049	634,672		
March 31, 1958	140,571	421,713	562,284	372,376	955,777	1,328,153	765,869	
June 30	130,029	390,089	520,118	215,364	529,337	744,701	224,583	
Sept. 30	143,454	430,363	573,817	730,858	491,383	1,222,241	648,424	
Dec. 31	177,964	355,929	533,893	605,995	1,094,787	1,700,782	1,166,889	
March 31, 1959	189,370	568,112	757,482	491,449	1,823,346	2,314,795	1,557,313	
June 30	165,743	497,231	662,974	172,487	735,009	907,496	244,522	
Sept. 30	158,807	506,421	675,228	127,765	660,219	787,984	112,756	
Dec. 31	190,549	571,647	762,196	722,897	550,271	1,273,168	510,972	
March 31, 1960	215,719	647,160	862,879	351,664	801,828	1,153,492	290,613	
June 30	198,114	594,331	792,445	376,002	546,245	922,247	129,802	
Sept. 30	185,746	557,238	742,984	416,688	544,288	960,976	217,992	
Dec. 31	261,584	784,746	1,046,330	657,759	765,134	1,422,893	376,563	
March 31, 1961	353,539	1,060,618	1,414,157	473,367	2,599,804	3,073,171	1,659,014	
June 30	298,331	894,993	1,193,324	384,209	2,962,627	3,346,836	2,153,512	
Sept. 30	291,985	875,956	1,167,941	672,168	2,768,358	3,440,526	2,272,585	
Dec. 31	365,171	1,095,514	1,460,685	864,899	3,132,957	3,997,856	2,537,171	







SCHEDULE 12

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

EVIDENCE IN SUPPORT OF CONCLUSIONS  
AS TO INVESTMENT POLICIES

British Columbia Credit Unions

B. C. Central Credit Union

Alberta

Saskatchewan Credit Unions

Saskatchewan Co-operative Credit  
Society

Manitoba

Ontario Co-operative Credit Society

Ontario Credit Union League

Quebec Credit Unions

Nova Scotia Credit Unions



1937

SCHEDULE 12

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

EVIDENCE IN SUPPORT OF CONCLUSIONS

AS TO INVESTMENT POLICIES

British Columbia Credit Unions

B. C. Central Credit Union

Alberta

Saskatchewan Credit Unions

Saskatchewan Credit Unions  
Saskatoon

Manitoba

Ontario Co-operative Credit Society

Ontario Credit Union League

Quebec Credit Unions

Nova Scotia Credit Unions

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EVIDENCE IN SUPPORT OF CONCLUSIONS AS TOINVESTMENTSBritish Columbia Credit Unions

As indicated in the briefs of both B.C. Credit Union League and Central, most credit unions in British Columbia deposit their liquidity reserves and surplus funds with central. Accordingly, most credit unions do not have much to do with investment of funds in securities. The consolidated balance sheets annexed to Central's answer to the Questionnaire for the credit unions in British Columbia show that some credit unions do invest directly in securities. On checking with the Inspector of Credit Unions Central found that the total investment of credit unions in 1960 was in the sum of approximately \$2,500,000 of which 1.1 million represents investment in shares of Central and the League (the latter being \$116,000) the remainder thereof 1.4 million represents investments by 47 credit unions in Government securities (of the type limited by the Act) and there were only three of these who had investments in 1960 in excess of \$50,000.00. These three were Stanovan \$66,800, Van-Tel \$583,000, B.C.T.F. \$250,000.00. Annexed to consolidated balance sheet is a portfolio of their investments at the end of 1961. It is obvious that the investment of the other 44 credit unions each holding less than \$50,000 is not of very great significance. In some instances it may represent the desire of the local credit union to



4077

UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

REPORT OF THE COMMISSIONER OF LANDS AND MINES

As indicated in the briefs of both B.C. Credit Union League and Central, most credit unions in British Columbia deposit their liquidity reserves and surplus funds with central. Accordingly, most credit unions do not have much to do with investment of funds in securities. The consolidated balance sheets annexed to Central's answer to the Questionnaire for the credit unions in British Columbia show that some credit unions do invest directly in securities. On checking with the Inspector of Credit Unions Central found that the total investment of credit unions in 1960 was in the sum of approximately \$2,500,000 of which 1.1 million represents investment in shares of Central and the League (the latter being \$16,000) the remainder being invested in Government securities (of the type limited by the Act) and there were only three of these who had investments in 1960 in excess of \$50,000.00. These three were Starover, Vancouver, and the League. Annexed to consolidated balance sheet is a portfolio of their investments at the end of 1961. It is obvious that the investment of the other 44 credit unions each holding less than \$50,000 is not of very great significance. In some instances it may represent the desire of the local credit union to





1 participate in local municipal or school securities  
2 guaranteed by the Provincial Government. There is  
3 no pooling of investments. Only significant accounting  
4 practice relates to valuation at market rather than  
5 cost as required by the Federal Act.

6 B. C. Central Credit Union

7 Answer to Mr. Mercure's questionnaire.

8 The policies and practices relating to investment  
9 in Central by local credit unions is dealt with on  
10 pages 6 and 7 paragraphs 20 and 21 of B.C. Central's  
11 brief. Section 45 of the Co-operative Credit  
12 Associations Act requires Central to have a liqui-  
13 dity reserve of 20 per cent, at least 5 per cent of  
14 which must be in cash and in limited types of  
15 Governmental securities. The types of investments  
16 held by Central at each quarter's end are analyzed  
17 in statistical information in answer to Mercure. A  
18 sample portfolio of investments appears as Schedule  
19 17 of Central's brief. It should be appreciated  
20 that these figures are year end or quarter end  
21 figures. Reference to Appendix 14 of Central's  
22 brief will indicate that surplus funds may occur  
23 in periods following the year end or in periods be-  
24 tween quarters. These surplus funds are generally  
25 invested in short term treasury or parity securities.  
26 For instance, whereas at December 31st, 1961 the  
27 table shows investments of \$2,400,000 at the end  
28 of March 1962 Central had invested in securities  
29 approximately \$4,400,000 representing a change in  
30 seasonal surpluses.

participate in local municipal or school securities guaranteed by the Provincial Government. There is no pooling of investments. Only significant accounting practice relates to valuation at market rather than cost as required by the Federal Act.

8.2. General Credit

Answer to Mr. Mercure's questionnaire.

The policies and practices relating to investment in Central by local credit unions is dealt with on pages 6 and 7 paragraphs 20 and 21 of B.C. Central's brief. Section 45 of the Co-operative Credit Associations Act requires Central to have a liquidity reserve of 20 per cent, at least 5 per cent of which must be in cash and in limited types of Governmental securities. The types of investments held by Central at each quarter's end are analysed in statistical information in answer to Mercure. A sample portfolio of investments appears as Schedule 17 of Central's brief. It should be appreciated that these figures are year end or quarter end figures. Reference to Appendix 14 of Central's brief will indicate that surplus funds may occur in periods following the year end or in periods between quarters. These surplus funds are generally invested in short term treasury or parity securities. For instance, whereas at December 31st, 1961 the table shows investments of \$2,400,000 at the end of March 1962 Central had invested in securities approximately \$4,400,000 representing a change in seasonal surpluses.



1 Prior to 1955 investments were under one  
2 million dollars. After 1954 when Central decided  
3 to become registered under the Federal Act and  
4 that Act would require to value securities at  
5 market not to exceed cost, Central followed a  
6 general policy of buying bonds at par or preferably  
7 at discount with a view to applying any capital  
8 gain to building up a bond fluctuation reserve.  
9 As it gained experience and as the reserve built up  
10 this reserve was merged with the general reserve.

11 In the last two years there have  
12 been available increasing numbers of Provincial  
13 Government or Provincially guaranteed parity bonds.  
14 In view of the requirement of the Federal Act and  
15 also better interest rates Central has in this  
16 period tended to shift its portfolio from short  
17 term Canada's or treasury bills to parity bonds.

18 In these circumstances and as more  
19 funds for investment have become available to  
20 Central greater attention is now given to yield in  
21 investment policies.

22 Being limited by the Act generally to  
23 Government, municipal and school securities (Section  
24 8 (e) of the Canadian Co-operative Credit Associa-  
25 tions Act) and as to 10 per cent of shares and  
26 deposits in other negotiable securities most  
27 investments have been of the governmental nature.  
28 There is limited trading in securities before  
29 maturity except in very short term securities used  
30 as a means to keep surplus funds employed.





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million dollars. After 1954 when Central decided to become registered under the Federal Act and that Act would require to value securities at market not to exceed cost, Central followed a general policy of buying bonds at par or preferably at discount with a view to applying any capital gain to building up a bond fluctuation reserve. As it gained experience and as the reserve built up this reserve was merged with the general reserve.

In the last two years there have been available increasing numbers of Provincial Government or Provincially guaranteed parity bonds. In view of the requirement of the Federal Act and also better interest rates Central has in this period tended to shift its portfolio from short term Canada's or treasury bills to parity bonds. In these circumstances and as more funds for investment have become available to Central greater attention is now given to yield in investment policies.

Being limited by the Act generally to Government, municipal and school securities (Section 8 (e) of the Canadian Co-operative Credit Associations Act) and as to 10 per cent of shares and deposits in other negotiable securities most investments have been of the governmental nature. There is limited trading in securities before maturity except in very short term securities used as a means to keep surplus funds employed.





1 At the present time Central under  
2 the Co-operative Credit Associations Act may hold  
3 negotiable securities other than those of a govern-  
4 mental type up to 10 per cent of the aggregate  
5 of the paid up capital and the total amount of money on  
6 deposit with the approval of two-thirds of the full  
7 board of directors. These cannot, however, under  
8 Section 45 be used as part of the liquidity reserve.

9 Over and above the liquidity reserve  
10 Central would like to see the statute amended  
11 to permit it to buy short term notes or securities  
12 of established cooperatives and other firms and  
13 municipal short term issues say for a period of  
14 approximately 180 days or less. It feels there  
15 may be merit also in including in the Canadian  
16 Co-operative Credit Associations Act a "basket"  
17 clause similar to that permitted trust companies  
18 under Section 68 and to insurance companies  
19 under Section 63 (4) and under Section 30 of the  
20 Loan Companies Act. Central is not interested in  
21 securities of this type for long term because for  
22 liquidity purposes it requires shorter term  
23 securities and in its investment program the  
24 emphasis is on keeping seasonal funds and liquidity  
25 reserves employed. Its main function is not to  
26 deal in securities but to keep funds reasonably  
27 available for the use of its members as required.

28 Alberta

29 Brief, pages 10, 11 and 12, paragraphs  
30 24, 25, 26 and 27 shows credit unions are required



24, 25, 26 and 27 shows credit unions are required  
Brief, pages 10, 11 and 12, paragraphs

Alberta

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of the paid up capital and the total amount of money or  
mental type up to 10 per cent of the aggregate

negotiable securities other than those of a govern-  
the Co-operative Credit Associations Act may hold

At the present time Central under



1 to have a guarantee fund made up of 20 per cent of  
2 net earnings each year 25 per cent of which must be  
3 invested in the League stabilization fund if a parti-  
4 cipant in the League. Called the guarantee fund,  
5 at the end of 1960 it amounted to .9 million or  
6 3.5 per cent of shares and deposits and 4.08 per cent  
7 of total loans. The guarantee fund is used primarily  
8 for the write-off of uncollectable loans. Loans  
9 written off since 1938 have only been \$134,432, that  
10 is .109 per cent of the total loans. Under Section 42  
11 of the Act moneys set up in guarantee fund must be  
12 invested either as paid up shares in other credit  
13 unions approved for that purpose or any investments  
14 authorized by Section 3 of the Trustee Act.

15 The consolidated balance sheet for  
16 1960 shows a total investment for Alberta credit  
17 unions of 4. million this equals 15.5 per cent  
18 of total shares and deposits and 17.96 per cent of  
19 loans. In addition there were cash holdings of  
20 1.8 million.

21 Page 16, para. 39 of the brief shows  
22 the Alberta Act requires 5 per cent of shares  
23 10 per cent to 25 per cent of deposits supported by  
24 liquid assets. Appendix 8 shows cash reserves for  
25 deposits and shares stand at 7.1 per cent and of  
26 all assets at 6.37 per cent. Investments stand  
27 at 15.5 per cent of deposits and shares and 13.7 per  
28 cent of assets. Combined cash and investments  
29 are 22.6 per cent of deposits and shares and 19.9  
30 per cent of total assets. A sampling of 30 credit



per cent of total assets. A sampling of 30 credit  
are 22.6 per cent of deposits and shares and 12.9  
all assets at 6.7 per cent. Investments stand  
deposits and shares stand at 7.1 per cent and of  
liquid assets Appendix 8 shows cash reserves for  
10 per cent to 25 per cent of deposits supported by  
the Alberta Act requires 5 per cent of shares  
Page 16, para. 39 of the brief shows  
1.8 million.  
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of total shares and deposits and 17.96 per cent of  
unions of 4. million this equals 15.5 per cent  
1960 shows a total investment for Alberta credit  
The consolidated balance sheet for  
authorized by Section 3 of the Trustee Act.  
unions approved for that purpose or any investments  
invested either as paid up shares in other credit  
of the Act money set up in guarantee fund must be  
is 1.109 per cent of the total loans. Under Section 42  
written off since 1938 have only been \$134,432, that  
for the write-off of uncollectable loans. Loans  
of total loans. The guarantee fund is used primarily  
3.5 per cent of shares and deposits and 4.08 per cent  
at the end of 1960 it amounted to .9 million or  
cipant in the League. Called the guarantee fund,  
invested in the League stabilization fund if a parti-  
net earnings each year 25 per cent of which must be  
to have a guarantee fund made up of 20 per cent of





unions in all ranges of assets appears at Appendix 11 (a), (b), (c) and (d).

Appendix 11 (a) -- ten credit unions with assets under \$75,000 and total assets of \$390,000 have 8.7 per cent of total assets in cash and 16.5 per cent in investments. Guarantee fund is 2.6 per cent.

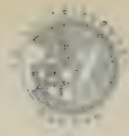
Appendix 11 (b) -- ten credit unions with assets under \$250,000 showing total assets of \$1,254,000 have 3.8 per cent cash, 14.1 per cent investments in relation to assets 3.6 per cent guarantee fund.

Appendix 11 (c) -- five credit unions between \$250,000 and \$500,000 showing total assets of \$1,823,000 have 3.7 per cent of assets in cash, 17.9 per cent investments, guarantee fund 5 per cent.

Appendix 11 (d) -- five credit unions between \$500,000 and one million with total assets of 4.7 million have 4.5 per cent cash, 18.4 per cent investments, guarantee fund 5.2 per cent.

(From material furnished by the Minister of Co-operation and Co-operative Development of Saskatchewan.)

On December 31st, 1960 the credit unions in Saskatchewan had total investments of 21.8 millions; of this 3.2 million were government bonds, .3 million were cooperative trust, .6 million were various kinds of cooperative guarantee trust certificates, 11.9 million were shares of Saskatchewan Co-operative Credit Society and 5.8 were other invest-



Appendix II (a) -- ten credit unions with assets under \$75,000 and total assets of \$250,000 have 8.7 per cent of total assets in cash and 16.5 per cent in investments. Guarantee fund is 2.0 per cent.

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unions in Saskatchewan had total investments of 21.8 millions; of this 3.2 million were government bonds, 3 million were cooperative trust, 1.6 million were various kinds of cooperative guarantee fund certificates, 11.2 million were shares of Saskatchewan Co-operative Credit Society and 5.8 were other invest-



ments. The Minister of Co-operation has advised that after analyzing the figures further he finds that of 272 credit unions with investments at December 31st, 1960, 29 have a total of \$105,000 invested in Government bonds with no funds in the other investment categories. Seventy-two have funds in other investments of 1.2 million but no investments in government bonds. Eighty-nine have investments in government bonds and other investments. A total of 222 credit unions have investments in government bonds and/or other investments. Eleven credit unions have over \$100,000 in other investments or a total of \$3,064,125.00. Of the 11 credit unions which have over \$100,000 in other investments there are five between \$100,000 and \$200,000, three between \$200,000 and \$300,000, three between \$500,000 and \$560,000.00. There are 17 which have other investments between \$50,000 and \$100,000.00. Of the credit unions with investments in government bonds there are two with investments between \$50,000 and \$100,000, four with investments between \$100,000 and \$200,000, one with investments between \$200,000 and \$300,000, two between \$300,000 and \$400,000 and two between \$400,000 and \$435,000 or a total of eleven.

Saskatchewan Co-operative Credit Society

A statement of the policy with regard to investments may have been filed with Mr. Mercure but if so it was not available at the time of drawing this schedule. However, the Society has

ments. The Minister of Co-operation has advised that after analyzing the figures further he finds that of 225 credit unions with investments at December 31st, 1960, 29 have a total of \$105,000 invested in Government bonds with no funds in the other investment categories. Seventy-two have funds in other investments of 1.2 million but no investments in Government bonds. Eighty-nine have investments in Government bonds and other investments. A total of 222 credit unions have investments in Government bonds and/or other investments. Eleven credit unions have over \$100,000 in other investments or a total of \$3,064,125.00. Of the 11 credit unions which have over \$100,000 in other investments there are five between \$100,000 and \$200,000, three between \$200,000 and \$300,000, three between \$300,000 and \$500,000 and \$560,000.00. There are 17 which have other investments between \$50,000 and \$100,000.00. Of the credit unions with investments in Government bonds there are two with investments between \$50,000 and \$100,000, four with investments between \$100,000 and \$200,000, one with investments between \$200,000 and \$300,000, two between \$300,000 and \$400,000 and two between \$400,000 and \$495,000 or a total of eleven.

24. Saskatchewan Co-operative Credit Society

A statement of the policy with regard to investments may have been filed with Mr. Mercure but if so it was not available at the time of drawing this schedule. However, the Society has





provided a portfolio as at November 30th, 1961. One of the most interesting things about the portfolio are the number of local issues held, particularly in the shorter term bonds in relatively small amounts for municipalities, hospitals school districts and like institutions. In all of these bonds up to 10 years the weight in value is in favour of Dominion of Canada and province of Saskatchewan bonds, e.g. (1) due before December 31st, 1962 \$375,000 out of \$394,000; (2) maturing on January 1st, 1963 to December 31st, 1966 there are \$175,000 Dominion of Canada, \$80,000 Province of New Brunswick, \$50,000 Hydro-Electric of Ontario, \$558,000 Province of Saskatchewan and \$100,000 Bank of Nova Scotia term note for a total of \$963,000 out of \$1,185,000.00; (3) maturing on January 1st, 1967 to December 31st, 1971 securities of this governmental type represent \$1,415,000.00 out of \$2,447,000.00; (4) maturing January 1st, 1972 and later approximately \$6 million out of \$7 million are of this governmental type.

#### Manitoba

Page 19 of the Manitoba brief states credit unions and the Co-operative Credit Society of Manitoba are not a large factor in security investments. Such securities as are held are for the most part those authorized under the Trustee Act and of these there is a preference for short term securities. The credit unions may invest



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1 their statutory reserves, that is bad debt reserves,  
2 in shares of the co-operative credit society.  
3 These are considered by credit unions to be  
4 liquid assets.

5               There is no practice of credit  
6 unions with respect to pooling their investment  
7 activities apart from investments in the cooperative  
8 credit society. See Appendix L. It is generally  
9 considered that statutory reserve for bad  
10 debts which cannot be loaned out should be  
11 invested. In addition credit unions wish to  
12 keep a percentage of their assets in a liquid  
13 position. One way this is done is to invest part  
14 of the required statutory reserve in readily  
15 negotiable securities of some kind. Credit  
16 unions' directors may invest the credit unions'  
17 surplus funds as follows: in the paid shares of  
18 investment and building societies, other credit  
19 unions, the Co-operative Credit Society of  
20 Manitoba and investments authorized for trust  
21 funds, and in shares of cooperatives to the  
22 extent necessary to become a member. The pro-  
23 visions of the Trustee Act deal mainly with govern-  
24 mental securities but include also first mortgages  
25 on improved lands, guarantee trust certificates  
26 of a trust company, terminable debentures  
27 of a loan company, first mortgage bonds of any  
28 company incorporated under the laws of Canada  
29 or of any of the Provinces of Canada. However,  
30 credit unions almost entirely limit their invest-





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1       ments in governmental bonds, either Government of  
2       Canada, Government of the Province and metropolitan  
3       or municipal. Appendix L comments, however, that  
4       while municipal bonds carry a better yield they  
5       are sometimes difficult to convert into cash as  
6       there is not always a ready market. Consequently  
7       market price may vary considerably. Recently  
8       there has been added part of a hospital district  
9       under the Health Services Act but these suffer  
10      the same difficulty as municipal bonds. Investment  
11      in Co-operative shares is purely for membership.  
12      When looking for investments for credit union funds  
13      the Board of Directors keep in mind three factors:

14           (1)       Its first concern is for the safety  
15                      of the investment. The credit union was  
16                      established to serve the needs and best  
17                      interests of the members. They therefore  
18                      would tend to invest in government bonds and  
19                      if the members for instance wanted to invest  
20                      in a school construction or municipality the  
21                      credit union would lend money to the members  
22                      to enable them to invest directly themselves.  
23                      In this way the credit union would be sup-  
24                      porting the school debenture issue encouraging  
25                      the members to save but placing the responsi-  
26                      bility for the support of the school on the  
27                      members themselves where it belongs.

28           (2)       The proposed investment's ready con-  
29                      vertibility into cash. Reserves are set aside  
30                      for two or three purposes. If the proposed



ments in Governmental bonds, either Government of Canada, Government of the Province and Metropolitan or municipal. Appendix I comments, however, that while municipal bonds carry a better yield they are sometimes difficult to convert into cash as there is not always a ready market. Consequently market price may vary considerably. Recently there has been added part of a hospital district under the Health Services Act but these suffer the same difficulty as municipal bonds. Investment in Co-operative shares is purely for membership. When looking for investments for credit union funds the Board of Directors keep in mind three factors:

(1) Its first concern is for the safety of the investment. The credit union was established to serve the needs and past interests of the members. They therefore would tend to invest in Government bonds and if the members for instance wanted to invest in a school construction or municipally the credit union would lend money to the members to enable them to invest directly themselves. In this way the credit union would be supporting the school department issue encouraging the members to save but placing the responsibility for the support of the school on the members themselves where it belongs.

(2) The proposed investment's ready convertibility into cash. Reserves are set aside for two or three purposes. If the proposed



1 investment is to build up a liquid reserve  
2 and if the credit union is investing its  
3 statutory reserve it will want to know that it  
4 can convert the investment into cash very  
5 quickly. For this purpose Dominion or Pro-  
6 vincial bonds or bonds guaranteed by these  
7 governments are more readily negotiable than  
8 other bonds. Municipal issues including  
9 school and hospital districts do not have as  
10 ready a market. The credit union cannot de-  
11 pend on carrying the investments through to  
12 maturity consequently the question of converting  
13 the security into cash is very important.

14 (3) The cost of the investment and the  
15 yield. Credit unions consider at least three  
16 important factors that affect fluctuations  
17 in the bond market:

18 (a) The safety of the repayment of the  
19 capital,

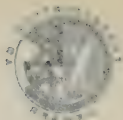
20 (b) The increase or decrease in interest  
21 rates or stock earnings generally,

22 (c) The maturity date of the issue.

23 Ontario Co-operative Credit Society

24 Ontario Co-operative Credit Society  
25 brief page 9, para. 28 ff. When the Society has  
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27 these funds are invested in Government securities.  
28 These usually have a shorter term than securities  
29 required for liquidity and as far as possible  
30 securities are purchased which mature at the





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*Nethercut & Young*

A.389

*Toronto, Ontario*

1 peak loan demand. Exhibit 9 gives a portfolio of  
2 investments at December 31st, 1961. The Society  
3 is governed by the Co-operative Credit Associations  
4 Act. The directors have set up an Investment  
5 Committee for the sale and purchase of securities.  
6 Its decision are reviewed by the Board. All sales  
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PORTFOLIO OF SECURITIES

A.390

<u>Description of Security</u>	<u>Maturity date</u>	<u>book Value</u>	<u>Market Value</u>
Government of Canada Conversion	1972	\$143,875.00	\$144,000.00
Government guaranteed Alberta Telephone	1966	49,625.00	49,500.00
B.C. mainly School Dist. Power Commission guaranteed by B.C. Government	1962 to 1968	250,000.00	262,500.00
Province of Manitoba & Manitoba Hydro guar.	1962 and 1963 1966	50,000.00	50,500.00
Ontario, mainly Pro. of Ont.	1962 to 1967 )		
Ontario Hydro	1964 to 1968 )		
Prince Edward Island Government	1964 to 1966 )	1,045,255.00	1,050,995.00
Quebec Hydro	1967 )		
Ontario cities & Municipals	1962 to (most-ly) 1968	1,933,826.00	1,947,000.00
Miscellaneous Co-operative	1971 to 1976	110,000.00	106,000.00

<u>Description of Security</u>	<u>book Value</u>	<u>Market Value</u>
Dominion	\$ 143,875.00	\$ 144,000.00
Provincial	1,045,255.00	1,050,995.00
Municipalities	1,933,826.00	1,937,020.00
Others	110,000.00	106,000.00
	<u>\$3,232,957.00</u>	<u>\$3,238,015.00</u>







1                   There was a fair discussion before  
2 the Commission on the question of investments  
3 arising out of the debenture issue by the Ontario  
4 Co-operative Credit Society. Page 1142 ff. Mr.  
5 Brown pointed out that in 1959 borrowed money was  
6 15 per cent as against investments of 12½ per cent  
7 including the debentures. Mr. Leman wanted to know  
8 whether they were issued to the public and Best said  
9 yes. Mr. Leman then pointed out that some of the  
10 credit unions elsewhere thought of the movement as  
11 a sort of little closed economy that they would like to  
12 use only members' money except for occasional times  
13 when they used bank accommodation but mostly on a  
14 seasonal basis. Mr. Leman suggested that OCCS's  
15 view was different. Mr. Best then qualified his  
16 answer by saying they never put on a public cam-  
17 paign to sell debentures, and appealed primarily  
18 to credit unions and cooperatives which had money  
19 to invest and also individual credit unionists.  
20 Mr. Leman asked whether these debentures would have  
21 a higher yield than share capital. Mr. Best said  
22 they had. Mr. Brown wanted to know whether they  
23 paid more on the debentures than they received on  
24 an average on investments. Mr. Best had to admit  
25 they did. Mr. Brown wanted to know why borrow  
26 money then. Mr. Best said investments are only  
27 a portion of our total assets and that they were  
28 not paying more on the debentures than they were  
29 receiving for loans. Mr. Brown still insisted why  
30 borrow money if you have assets that are earning



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1 less. Mr. Best said at the time we sold the de-  
2 bentures, members with money in the Society could get  
3  $5\frac{1}{2}$  per cent elsewhere and were pulling their money out  
4 and we in turn were having to pay more than that  
5 to borrow money. Mr. Best also pointed out that  
6 this was providing them with five year money and  
7 when they make some loans they would get a higher  
8 rate. Mr. Brown still wanted to know if it wouldn't  
9 be cheaper to sell the investments. Mr. Best said  
10 it might. Mr. Briggs emphasized that they received  
11 the money for five year terms. Mr. Leman then  
12 wanted to know how today they generally estimate  
13 investments. He said he noticed in the response  
14 to the monetary changes chapter they say:

15 "To raise money by the liquidation of  
16 investments at such time is neither  
17 desirable nor economically possible".

18 and asked whether it was a case of the character of  
19 the investment that they were not liquid enough.  
20 Mr. Best stated they were liquid enough but we  
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22 loss would have to be taken from earnings in that  
23 particular year unless a reserve had been set up,  
24 and might lead to having to lower dividend rates  
25 below 4 per cent which they are reluctant to do  
26 because the shares are now qualified for insurance  
27 company investment. Mr. Leman at page 1146 said:

28 "We have heard the same statement by other  
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1 "Canada always says that with these invest-  
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10 we needed the money when we could dispose of them  
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17 a loss and we will do other things. I think what  
18 we are implying here is that we will do other things  
19 before we will cash them. In that case we might  
20 hold back on loans. Mr. Leman said:

21 "I quite realize you would not hesitate on  
22 a good investment to make a profit but the  
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1 but is a reserve to meet withdrawals from deposits  
2 maybe this puts it in proper focus. If we were  
3 faced with the problem of not being able to borrow  
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5 the short term market but having to meet large  
6 withdrawals from our deposit accounts then we  
7 would have to cash it in because this investment  
8 represented 15 per cent in many cases of our total  
9 deposits.

10 Mr. Leman:

11 "In other words you look upon them as an  
12 absolute last ditch type of reserve".

13 Mr. Best:

14 "We do not jump to cash them if it is going  
15 to actually lose money".

16 Mr. Leman:

17 "There are certain various types of in-  
18 vestments. It depends on the yield you  
19 want etc. and I suppose you could have  
20 an investment policy that would give you  
21 additional flexibility or more security  
22 and would eliminate this situation  
23 where you say at such time it would not  
24 be desirable or economically possible to  
25 liquidate them."

26 Mr. Best:

27 "Yes, if we had near maturities. For a  
28 time we were buying treasury bills at this  
29 time of year. This was so we would have  
30 money available to meet loan demand in



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time we were buying treasury bills at this  
time of year. This was so we would have  
money available to meet loan demand in





1 "June and July so there would be no ques-  
2 tion about liquidity there and no question  
3 about getting 100 cents on the dollar. We  
4 tried to maintain investment portfolio  
5 which was fairly limited and was relatively  
6 near maturities. If you look over the in-  
7 vestment portfolio you will see some things  
8 in there that I would term a little longer  
9 term. These were bought earlier and our  
10 policy is to stick with investments that  
11 are within the next ten years of maturity,  
12 preferably shorter than that if we can."

13 Mr. Brown then wanted to know whether rather than  
14 sell bonds at a loss they would rather borrow money  
15 on debentures at 5 per cent. Mr. Brown said what he  
16 really wanted to know is, is the rate on debentures  
17 relative to what you can buy debentures at or what  
18 they can be sold at.

19 Mr. Best:

20 "It is relative to what our members can ob-  
21 tain elsewhere."

22 Acting Chairman:

23 "I gather that your strategy here is that  
24 the deposits which are being withdrawn be-  
25 cause there are better rates of interest  
26 elsewhere you can recapture through deben-  
27 tures to a degree."

28 Mr. Best:

29 "Yes and to encourage new money to come in."  
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8 demand money in any great quantity in making long  
9 term loans so a debenture program was set up as a  
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12 fact that in the intervening years the loan demand  
13 has dropped off and deposits for the same reason  
14 have increased and now there are several millions  
15 of dollars on hand for which there is no demand in  
16 loans and that confuses the picture. Mr. Gibson  
17 pointed out that in the statement loans to co-  
18 operatives 6 to 10 years, are just a little larger  
19 than the amount of the debentures outstanding.  
20 Me. Mitchell said "That is right, but in addition  
21 share capital is long term money too."

22 Ontario Credit Union League

23 Transcript Page 1118 and following.

24 Mr. Brown:

25 "In your reserve you carry a certain  
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SECRET STATE INCOME TAX

Transcript Page 118 and following.

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"In your reserve you carry a certain number of investments. I notice those tend to be rather long term than short term, due to the fact that these are reserves for liquidity is there any reason why you should not reach for short term loans?"





1 Mr. Hallinan:

2 "We have about \$57,000.00 in long term  
3 but at the present time because of the  
4 funds coming in we have four million in  
5 short term"

6 Mr. Brown:

7 "I was thinking about the credit unions  
8 themselves"

9 Mr. Burton:

10 "In the credit unions themselves it varies  
11 a great deal".

12 Mr. Brown:

13 "Do you prefer them at all at this stage to  
14 short term?"

15 Mr. Burton:

16 "You see the main investment state of the  
17 credit union of course is bonds as pointed  
18 out in the brief and generally speaking  
19 a credit union does not go much for the  
20 long term borrowing. If you look at  
21 Appendix No. 2 again, the statistics,  
22 the percentage of assets in long term  
23 is less than 3 per cent. In Government bonds  
24 it is 2.1 per cent of the assets and I think  
25 long term investments only .8 per cent so less  
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22 Mr. Leman:

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24 part of the liquidity problem of the credit  
25 union would you not encourage them to keep  
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7 Quebec Credit Unions

8 The Quebec brief at pages 66 and 67 deals  
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10 follows:

11 Investments as of December 31, 1960  
12 amounted to \$2,382,601.00. This figure is confined  
13 to a minority group due to the fact that our Credit  
14 Unions, because of a high demand for loans from  
15 members, seldom have excess funds to invest. Up  
16 to 90 per cent of the funds of the credit unions  
17 are loaned to the members.

18 Investments - Policies

19 Our larger credit unions, which do  
20 have excess funds must invest them in stocks or  
21 debentures of the Dominion of Canada or of the  
22 Province of Quebec or in securities guaranteed by  
23 the Dominion or the Province; or in the securities  
24 of any municipality or school corporation in this  
25 province; or in duly authorized loans for the  
26 erection or repair of churches, presbyteries or  
27 cemeteries in this province; or in the loans of  
28 fabriques or ecclesiastical or religious corpora-  
29 tions in the province; or on a first privilege or  
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Investments - Policies

Our larger credit unions, which do have excess funds must invest them in stocks or debentures of the Dominion of Canada or of the Province of Quebec or in securities guaranteed by the Dominion or the Province; or in the securities of any municipality or school corporation in this province; or in duly authorized loans for the erection or repair of churches, presbyteries or chapels; or in any investment in the form of a corporation or ecclesiastical or religious corporations in the province; or on a first mortgage or first hypothec to an amount not exceeding three fifths of the municipal valuation of the real



1 estate affected. (See Section 49, pages 8 and 9 of  
2 the Quebec Co-operative Syndicates Act.)

3 To forestall any possibility of dis-  
4 honourable and questionable practices by credit  
5 union officers the Co-operative Syndicates Act  
6 stipulates that credit unions must request per-  
7 mission from the Quebec Credit Union League to  
8 invest these funds, thus preventing malpractice.  
9 (See Section 40, paragraphs 1, 2, 3 of the  
10 Co-operative Syndicates Act, copy attached.)

11 Nova Scotia Credit Unions

12 The Nova Scotia brief at page 37,  
13 paragraph 119 comments shortly as to investments  
14 in that province.

15 A look at the consolidated balance  
16 sheet of credit unions in Nova Scotia would indicate  
17 that the total amount held in investments is  
18 relatively small. The Credit Union Act limits  
19 each credit union to the types of investment it  
20 can purchase. These are the shares and deposit  
21 receipts of the League, and any legal investments  
22 authorized by law for trust funds in Nova Scotia.  
23 Outside of investments with the League, the most  
24 common investments are bonds of the Government of  
25 Canada or of the Province of Nova Scotia, and  
26 debentures of trust companies and savings and  
27 loan associations. The amount that is involved  
28 in our opinion is insignificant and will remain  
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Nethercut & Young

A.401

---Toronto, Ontario

1 investment should be in the form of loans to its  
2 members.

3 Reference also should be made  
4 to page 2 of Appendix Table II to the brief under  
5 investments being a balance sheet and statement  
6 of operations for Nova Scotia Credit Unions,  
7 September 20th, 1960, which shows shares of Central  
8 Credit Societies \$225,614.00, of other investments  
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SCHEDULE 13

(Brief of National Association of Canadian  
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SCHEDULE OF BREAKDOWN OF LOANS BY PURPOSE,  
SASKATCHEWAN, 1960 and 1951, MANITOBA 1960 and 1950,  
BRITISH COLUMBIA 1961

1. Extract from Saskatchewan Credit Unions  
published by the Department of Co-operation and  
Co-operative Development 1960.

2. Extract from statistics produced by  
the Inspector of Credit Unions, Government of  
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3. Schedule produced by B.C. Credit Union  
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4. Extract from Annual Report of Credit  
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5. Schedule provided by the Inspector of  
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Table 6 - COMBINED ANALYSIS OF LOANS

Made by 272 credit unions in Saskatchewan for year ended December 31, 1960.

<u>Purpose of Loans</u>	<u>No. of Loans</u>	<u>Amt. of Loans</u>	<u>Percent of Total</u>
Land payments & mortgages retired	1,897	\$5,757,267	13.20
Machinery, autos, trucks, repairs	9,142	9,427,161	21.60
Livestock	1,484	1,681,230	3.85
Buildings and improvements	6,121	10,416,927	23.87
Home equipment	5,135	2,409,796	5.52
Consolidation of debts	7,292	5,625,667	12.89
Operating expenses	5,740	2,348,151	5.38
Living expenses	4,920	897,412	2.06
Endowment loans	715	837,820	1.92
Miscellaneous	7,575	4,236,993	9.71
Totals for 272 credit unions	50,021	\$43,638,424	100.00

The foregoing analysis will serve to indicate the diversity of services being rendered by credit unions in the province.

A study of the breakdown of the loans made by all the active credit unions in Saskatchewan during 1960 reveals that 37 per cent of the total amount loaned was granted to assist members to finance the purchase of land, to discharge existing mortgages and to construct new homes, buildings and improvements.

Table 4 - Credit Unions in Saskatchewan, 1960

Total for 273 credit unions		Total for 273 credit unions	
Assets	Liabilities	Assets	Liabilities
100.00	100.00	100.00	100.00
20.021	43.638	20.021	43.638
7.272	4.236	7.272	4.236
712	837	712	837
4,920	897	4,920	897
7,398	2,623	7,398	2,623
10,416	10,416	10,416	10,416
1,484	1,681	1,484	1,681
1,112	2,617	1,112	2,617
1,417	4,236	1,417	4,236
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CLASSIFICATION OF LOANS GRANTED BY CREDIT UNIONS

PURPOSE	1955		1956	
	NUMBER	AMOUNT	NUMBER	AMOUNT
1. Farm Machinery and Repairs	714	360,548.47	924	577,232.61
2. Purchase of Livestock	430	158,024.87	431	156,481.81
3. Seed Grain & Seeding Supplies	566	160,172.72	517	161,772.74
4. Harvest & Threshing	219	60,267.94	222	53,564.19
5. Other Farm Expenses including Wages	1,722	497,198.82	1,566	553,488.24
6. Real Estate Mortgage Loans	556	1,458,382.06	573	1,561,888.56
7. Land & Buildings (Purchase and Repairs other than Mtge. loans)	3,030	1,662,880.28	3,330	2,093,580.53
8. Estate Loans	150	118,018.46	149	116,872.05
9. Automobiles & Trucks, Purchase and Repairs	3,630	2,003,387.00	4,437	2,954,096.99
10. Furniture & Clothing	4,325	930,024.59	4,844	1,092,901.38
11. Insurance - Life, Fire, etc.	607	76,405.20	621	96,917.49
12. Taxes	774	133,553.29	724	140,971.61
13. Investments, Bonds, Debentures, etc.	168	52,050.03	140	66,317.37
14. Hospital, Medical, Dental	1,480	246,510.80	1,565	323,344.61
15. Educational	510	81,180.06	374	93,937.66
16. Vacation	1,801	288,763.27	1,852	317,079.92
17. Loans to Co-operatives	10	36,804.60	7	35,975.00
18. Business Operations (Merchandise, etc. but not debts & buildings)	840	350,701.93	1,069	796,788.76
19. Consolidation of Debts	3,854	1,388,733.74	4,411	1,819,806.11
20. Miscellaneous	4,766	777,264.92	5,219	893,794.65
TOTALS	30,142	10,840,873.05	32,975	13,906,812.28

# STATEMENT OF THE DEPARTMENT OF AGRICULTURE

1911		1910		1909		1908		1907		1906		1905		1904		1903		1902		1901		1900		1899		1898		1897		1896		1895		1894		1893		1892		1891		1890		1889		1888		1887		1886		1885		1884		1883		1882		1881		1880		1879		1878		1877		1876		1875		1874		1873		1872		1871		1870		1869		1868		1867		1866		1865		1864		1863		1862		1861		1860		1859		1858		1857		1856		1855		1854		1853		1852		1851		1850		1849		1848		1847		1846		1845		1844		1843		1842		1841		1840		1839		1838		1837		1836		1835		1834		1833		1832		1831		1830		1829		1828		1827		1826		1825		1824		1823		1822		1821		1820		1819		1818		1817		1816		1815		1814		1813		1812		1811		1810		1809		1808		1807		1806		1805		1804		1803		1802		1801		1800		1799		1798		1797		1796		1795		1794		1793		1792		1791		1790		1789		1788		1787		1786		1785		1784		1783		1782		1781		1780		1779		1778		1777		1776		1775		1774		1773		1772		1771		1770		1769		1768		1767		1766		1765		1764		1763		1762		1761		1760		1759		1758		1757		1756		1755		1754		1753		1752		1751		1750		1749		1748		1747		1746		1745		1744		1743		1742		1741		1740		1739		1738		1737		1736		1735		1734		1733		1732		1731		1730		1729		1728		1727		1726		1725		1724		1723		1722		1721		1720		1719		1718		1717		1716		1715		1714		1713		1712		1711		1710		1709		1708		1707		1706		1705		1704		1703		1702		1701		1700		1699		1698		1697		1696		1695		1694		1693		1692		1691		1690		1689		1688		1687		1686		1685		1684		1683		1682		1681		1680		1679		1678		1677		1676		1675		1674		1673		1672		1671		1670		1669		1668		1667		1666		1665		1664		1663		1662		1661		1660		1659		1658		1657		1656		1655		1654		1653		1652		1651		1650		1649		1648		1647		1646		1645		1644		1643		1642		1641		1640		1639		1638		1637		1636		1635		1634		1633		1632		1631		1630		1629		1628		1627		1626		1625		1624		1623		1622		1621		1620		1619		1618		1617		1616		1615		1614		1613		1612		1611		1610		1609		1608		1607		1606		1605		1604		1603		1602		1601		1600		1599		1598		1597		1596		1595		1594		1593		1592		1591		1590		1589		1588		1587		1586		1585		1584		1583		1582		1581		1580		1579		1578		1577		1576		1575		1574		1573		1572		1571		1570		1569		1568		1567		1566		1565		1564		1563		1562		1561		1560		1559		1558		1557		1556		1555		1554		1553		1552		1551		1550		1549		1548		1547		1546		1545		1544		1543		1542		1541		1540		1539		1538		1537		1536		1535		1534		1533		1532		1531		1530		1529		1528		1527		1526		1525		1524		1523		1522		1521		1520		1519		1518		1517		1516		1515		1514		1513		1512		1511		1510		1509		1508		1507		1506		1505		1504		1503		1502		1501		1500		1499		1498		1497		1496		1495		1494		1493		1492		1491		1490		1489		1488		1487		1486		1485		1484		1483		1482		1481		1480		1479		1478		1477		1476		1475		1474		1473		1472		1471		1470		1469		1468		1467		1466		1465		1464		1463		1462		1461		1460		1459		1458		1457		1456		1455		1454		1453		1452		1451		1450		1449		1448		1447		1446		1445		1444		1443		1442		1441		1440		1439		1438		1437		1436		1435		1434		1433		1432		1431		1430		1429		1428		1427		1426		1425		1424		1423		1422		1421		1420		1419		1418		1417		1416		1415		1414		1413		1412		1411		1410		1409		1408		1407		1406		1405		1404		1403		1402		1401		1400		1399		1398		1397		1396		1395		1394		1393		1392		1391		1390		1389		1388		1387		1386		1385		1384		1383		1382		1381		1380		1379		1378		1377		1376		1375		1374		1373		1372		1371		1370		1369		1368		1367		1366		1365		1364		1363		1362		1361		1360		1359		1358		1357		1356		1355		1354		1353		1352		1351		1350		1349		1348		1347		1346		1345		1344		1343		1342		1341		1340		1339		1338		1337		1336		1335		1334		1333		1332		1331		1330		1329		1328		1327		1326		1325		1324		1323		1322		1321		1320		1319		1318		1317		1316		1315		1314		1313		1312		1311		1310		1309		1308		1307		1306		1305		1304		1303		1302		1301		1300		1299		1298		1297		1296		1295		1294		1293		1292		1291		1290		1289		1288		1287		1286		1285		1284		1283		1282		1281		1280		1279		1278		1277		1276		1275		1274		1273		1272		1271		1270		1269		1268		1267		1266		1265		1264		1263		1262		1261		1260		1259		1258		1257		1256		1255		1254		1253		1252		1251		1250		1249		1248		1247		1246		1245		1244		1243		1242		1241		1240		1239		1238		1237		1236		1235		1234		1233		1232		1231		1230		1229		1228		1227		1226		1225		1224		1223		1222		1221		1220		1219		1218		1217		1216		1215		1214		1213		1212		1211		1210		1209		1208		1207		1206		1205		1204		1203		1202		1201		1200		1199		1198		1197		1196		1195		1194		1193		1192		1191		1190		1189		1188		1187		1186		1185		1184		1183		1182		1181		1180		1179		1178		1177		1176		1175		1174		1173		1172		1171		1170		1169		1168		1167		1166		1165		1164		1163		1162		1161		1160		1159		1158		1157		1156		1155		1154		1153		1152		1151		1150		1149		1148		1147		1146		1145		1144		1143		1142		1141		1140		1139		1138		1137		1136		1135		1134		1133		1132		1131		1130		1129		1128		1127		1126		1125		1124		1123		1122		1121		1120		1119		1118		1117		1116		1115		1114		1113		1112		1111		1110		1109		1108		1107		1106		1105		1104		1103		1102		1101		1100		1099		1098		1097		1096		1095		1094		1093		1092		1091		1090		1089		1088		1087		1086		1085		1084		1083		1082		1081		1080		1079		10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CLASSIFICATION OF LOANS GRANTED BY CREDIT UNIONS - continued

PURPOSE	1957		1958	
	NUMBER	AMOUNT	NUMBER	AMOUNT
1. Farm Machinery and Repairs	940	525,636.65	961	578,949.13
2. Purchase of Livestock	561	232,582.58	659	324,823.37
3. Seed Grain & Seeding Supplies	441	128,327.61	417	157,004.30
4. Harvest & Threshing	174	45,824.12	136	43,209.41
5. Other Farm Expenses including Wages	1,438	544,200.80	1,624	646,742.47
6. Real Estate Mortgage Loans	680	2,061,302.35	975	2,943,517.64
7. Land & Buildings (Purchase and Repairs other than Mtge. loans)	4,002	2,537,376.08	4,587	3,301,555.00
8. Estate Loans	200	194,218.10	298	294,511.00
9. Automobiles & Trucks, Purchase and Repairs	5,190	3,714,097.64	5,972	4,607,642.75
10. Furniture & Clothing	4,901	1,090,292.87	5,093	1,218,009.95
11. Insurance - Life, Fire, etc.	545	102,128.83	703	118,711.96
12. Taxes	930	208,025.53	890	193,985.46
13. Investments, Bonds, Debentures, etc.	318	148,642.44	209	144,508.99
14. Hospital, Medical, Dental	1,467	284,699.29	1,332	256,967.65
15. Educational	440	93,734.47	464	116,168.69
16. Vacation	2,145	378,574.46	2,497	513,033.51
17. Loans to Co-operatives	21	148,813.35	49	113,019.35
18. Business Operations (Merchandise, etc. but not debts & buildings)	803	625,564.78	980	1,000,340.20
19. Consolidation of Debts	4,859	2,173,871.32	5,127	2,631,890.70
20. Miscellaneous	5,252	999,844.61	6,262	1,171,421.30
TOTALS	35,307	16,237,757.88	39,219	20,376,012.83

Line	Description	1937	1938	1939
1	Farm Machinery and Repairs	940	323,636.65	981
2	Insurance of Livestock	261	332,282.38	620
3	Seed Grain & Seeding Supplies	441	128,427.61	417
4	Harvest & Threshing	174	43,824.15	136
5	Other Farm Expenses including Wages	1,436	244,200.80	1,624
6	Land & Buildings (Purchase and Repairs)	650	2,061,702.32	2,272
7	Land & Buildings (Purchase and Repairs)	650	2,061,702.32	2,272
8	Automobiles & Trucks, Purchase and Repairs	2,120	3,714,027.64	2,972
9	Furniture & Clothing	4,901	1,090,292.87	2,093
10	Insurance - Life, Fire, etc.	242	102,128.82	707
11	Taxes	230	208,022.23	220
12	Investments, Bonds, Debentures, etc.	318	148,642.44	200
13	Hospital, Medical, Dental	1,427	284,600.29	1,322
14	Educational	440	92,734.47	464
15	Vacation	2,142	378,274.46	2,497
16	Loans to Co-operatives	21	148,813.32	49
17	Business Operations (Merchandise, etc. but not debts & buildings)	807	622,264.8	980
18	Consolidation of Debts	4,829	2,173,841.32	2,127
19	Miscellaneous	2,222	909,844.61	6,262
20	TOTALS	22,327	16,237,727.88	22,279

1955 to 1960

CLASSIFICATION OF LOANS GRANTED BY CREDIT UNIONS - continued

PURPOSE	1959		1960	
	NUMBER	AMOUNT	NUMBER	AMOUNT
1. Farm Machinery and Repairs	1,235	843,074.79	1,350	999,209.45
2. Purchase of Livestock	601	364,896.81	709	417,605.10
3. Seed Grain & Seeding Supplies	356	119,015.42	377	152,334.42
4. Harvest & Threshing	127	47,682.90	167	59,294.00
5. Other Farm Expenses including Wages	1,850	849,182.52	1,803	888,600.79
6. Real Estate Mortgage Loans	1,117	3,765,135.99	1,253	4,513,920.24
7. Land & Buildings (Purchase and Repairs other than Mtge. loans)	5,184	4,330,260.52	5,791	5,068,086.17
8. Estate Loans	297	272,434.68	415	396,669.40
9. Automobiles & Trucks, Purchase and Repairs	7,395	6,228,656.10	8,040	6,839,034.75
10. Furniture & Clothing	5,522	1,495,111.96	6,650	1,780,640.32
11. Insurance - Life, Fire, etc.	802	149,241.35	858	163,350.52
12. Taxes	879	226,547.89	1,058	262,122.49
13. Investments, Bonds, Debentures, etc.	195	121,975.57	267	180,053.32
14. Hospital, Medical, Dental	1,259	228,603.29	1,366	250,228.41
15. Educational	537	156,769.97	655	185,413.39
16. Vacation	2,738	577,293.15	3,215	678,901.17
17. Loans to Co-operatives	36	215,972.44	87	155,623.32
18. Business Operations (Merchandise, etc. but not debts & buildings)	1,089	1,470,255.73	1,052	1,335,367.56
19. Consolidation of Debts	5,562	3,107,207.14	6,445	3,876,669.77
20. Miscellaneous	6,536	1,274,845.31	6,718	649,555.26
TOTALS	43,320	25,844,163.53	48,276	28,852,679.85

NOTE: Miscellaneous represents loans for any purpose not included under the previous 19 purposes.

## CLASSIFICATION OF LOANS GRANTED

CLASSIFICATION	1937 to 1938	1936 to 1937	1935 to 1936	1934 to 1935
20. Miscellaneous	6,436	1,574,845.31	6,719	649,757.06
19. Consolidation of Debts	2,562	3,107,407.14	6,445	3,876,669.77
18. Loans to Co-operators	36	212,975.44	87	122,653.32
17. Vacation	2,738	377,293.12	3,312	678,901.17
16. Educational	237	126,769.97	622	182,413.96
15. Hospital, Medical, Dental	1,229	328,603.20	1,366	1,250,228.41
14. Investments, Bonds, Debentures, etc.	192	121,972.27	267	180,083.32
13. Taxes	879	226,247.89	1,028	262,122.99
12. Insurance - Life, Fire, etc.	802	149,241.32	828	163,320.22
11. Furniture & Clothing	2,222	1,492,111.96	6,620	1,780,640.32
10. Automobiles & Trucks, Purchases and Repairs	7,392	6,222,626.10	8,040	6,232,032.29
9. Estate Loans	297	272,434.68	412	306,689.40
8. Land & Buildings (Purchase and Repairs other than Mortgage Loans)	2,184	4,320,260.22	2,791	2,068,086.12
7. Real Estate Mortgage Loans	1,117	3,762,122.99	1,023	4,212,920.24
6. Other Farm Expenses including Wages	1,820	849,182.22	1,812	888,600.79
5. Harvest & Threshing	127	47,662.00	157	29,294.00
4. Seed Grain & Seeding Supplies	286	112,012.42	377	122,344.42
3. Purchase of Fertilizer	20	20,000.00	—	—
2. Farm Equipment and Repairs	1,200	221,770.00	1,200	—
1. Total	43,220	22,844,163.23	42,226	22,622,679.62

NOTE: Miscellaneous represents loans for any purpose not included under the previous 19 purposes.







A.406

ANNUAL REPORT, 1951

TABLE 4 - ANALYSIS OF LOANS

Made by 200 of the 249 Credit Unions in Saskatchewan that furnished analysis of loans for year ending December 31, 1951

Purpose of Loans	Number of Loans	Amount of Loans	Per Cent of Total
Farm Machinery and Repairs	1,647	\$ 1,107,469	13.6
Buildings and Improvements	1,508	1,120,176	13.8
Land Payments, including Mortgages retired	391	526,902	6.4
Automobiles and Trucks	1,428	1,124,644	13.8
Other Farming Expenses, including Wages	1,586	385,604	4.7
Consolidation of Debts	1,521	466,596	5.7
Seed and Seeding Supplies	627	145,439	1.8
Furniture and Clothing	1,893	303,039	3.7
Merchandise	184	129,490	1.6
Purchase of Livestock	321	138,033	1.7
Harvest and Threshing	704	153,157	1.9
Medical, Dental and Hospital	526	70,057	.9
Loans to Co-operatives	26	43,373	.5
Realty Taxes and Fire Insurance	324	61,319	.8
Income Tax and Life Insurance	315	103,120	1.3
Vacation	462	63,203	.8
Investments - Government Bonds etc.	97	39,587	.5
Education	170	36,926	.4
Miscellaneous	2,186	2,127,440	26.1
Totals for 200 Credit Unions	15,916	8,145,574	100.0

The foregoing analysis will serve to indicate the diversity of services being rendered by credit unions in the province.

A study of the breakdown of the loans made by credit unions in Saskatchewan during 1951 that furnished an analysis of loans for 1951 reveals that 20.2% of the total loaned was granted to assist members finance land payments, new homes, home improvements, buildings and to discharge mortgages. This compares with 28% in 1949. During the war years when the demand for short term loans was greatly curtailed, many credit unions, in an effort to find an outlet for idle funds, encouraged applications for intermediate and longer term credit. While the Credit Union Act limits the total amount of long term loans, (loans for more than three years) which may be granted by a credit union to 20% of total shares and deposits, it may be expected under normal conditions that the demand for short term loans will automatically restrict the volume of long term credit, or as is commonly known, mortgage loans.





## MANITOBA CREDIT UNIONS

CREDIT UNION SOCIETY LIMITED

CLASSIFICATION of LOANS for the year 1950  
FROM 130 CREDIT UNIONS

PURPOSE	NUMBER OF LOANS MADE	AMOUNT LOANED
1. Farm Machinery and Repairs	589	\$258,317.58
2. Purchase of Livestock	450	98,947.93
3. Seed Grain and Seeding Supplies	593	134,119.12
4. Harvest and Threshing	350	84,206.98
5. Other Farm Expenses including Wages	908	145,719.56
6. Real Estate Mortgage Loans	299	233,282.98
7. Land and Buildings (Purchase & Repairs other than Mortgage Loans)	1,212	543,468.85
8. Estate Loans		
9. Automobiles & Trucks - Purchase & Repair	1,243	563,809.47
10. Furniture & Clothing	2,262	266,288.32
11. Insurance - Fire, etc. & Realty Tax	313	37,465.19
12. Taxes, Income and Life Insurance	277	32,527.84
13. Investments - Bonds, Debentures, etc.	37	18,405.19
14. Hospital, Medical, Dental	1,085	105,731.23
15. Educational	138	24,817.01
16. Vacation	906	97,155.96
17. Loans to Co-operatives	17	49,694.36
18. Business Operations (Merchandise, etc. but not debts and buildings)	620	142,091.01
19. Consolidation of Debts	1,750	499,527.29
20. Miscellaneous	2,895	439,023.11
TOTALS	15,944	\$3,774,598.98

SIGNED

MANAGER

Note: The total amount loaned must agree with the figures given in your Cash Report.





SCHEDULE 14

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

NOTES FROM STATISTICS APPEARING IN THE FINANCIAL  
POST MARCH 31ST 1962 RE LIFE INSURANCE COMPANIES  
SHOWING, INTER ALIA, PERCENTAGE OF TOTAL ASSETS  
INVESTED IN URBAN AND FARM MORTGAGES

The Financial Post, March 31st, 1962, at  
pages 50 to 61 inclusive summarizes the financial  
statements of 84 life insurance companies carrying  
on business in Canada. Of these 84 only 22 list  
farm mortgages as part of their assets. Except  
in a very few cases the percentage of assets  
invested in farm mortgages is relatively small.  
There appears below a list of the names of the  
companies investing in farm mortgages and the  
percentage of their assets so invested in 1961, 1960,  
1959 and 1958. At page 61 of the Financial Post  
the Post lists Canadian Life Insurance Companies  
with a total of \$100 million or more in force as  
at December 31st, 1961. Of those listed only seven  
of the 22 having farm mortgages investments appear  
and these are shown with asterisks in front of  
their names in the following Schedule:



SCHEDULE 14

(Brief of National Association of Canadian  
Credit Unions to Royal Commission on  
Banking and Finance)

NOTES FROM STATISTICS APPEARING IN THE FINANCIAL  
POST MARCH 31ST 1962 RE LIFE INSURANCE COMPANIES  
SHOWING, INTER ALIA, PERCENTAGE OF TOTAL ASSETS  
INVESTED IN URBAN AND RURAL MORTGAGES

The Financial Post, March 31st, 1962, at  
pages 50 to 61 inclusive summarizes the financial  
statements of 84 life insurance companies carrying  
on business in Canada. Of these 84 only 22 list  
farm mortgages as part of their assets. Except  
in a very few cases the percentage of assets  
invested in farm mortgages is relatively small.  
There appears below a list of the names of the  
companies investing in farm mortgages and the  
percentage of their assets so invested in 1961, 1960,  
1959 and 1958. At page 61 of the Financial Post  
the Post lists Canadian Life Insurance Companies  
with a total of \$100 million or more in force as  
at December 31st, 1961. Of those listed only seven  
of the 22 having farm mortgages investments appear  
and these are shown with asterisks in front of  
their names in the following Schedule:



LIFE INSURANCE COMPANIES

99 federally registered  
22 provincial life companies  
84 listed in Financial Post  
22 farm mortgages investments

A.411

<u>FARM MORTGAGE INVESTMENTS</u>	<u>%</u> <u>1961</u>	<u>%</u> <u>1960</u>	<u>%</u> <u>1959</u>	<u>%</u> <u>1958</u>
Aetna Life Insurance Co.	.1	.1	.1	.2
Bankers Life Co.	4.7	5.4	6.3	7.3
Business Men's Assurance Co. of America	10.6	10.8	11.0	11.2
Commercial Life Assurance Co. of Canada	--	--	--	.2
Connecticut General Life Insurance Co.	4.0	4.1	4.2	4.4
*Dominion Life Assurance Co.	--	--	.1	.1
*Excelsior Life Insurance Co.	.01	.01	.01	.01
Fidelity Life Assurance Co.	.1	.1	.1	.1
*Great West Life Assurance Co.	--	--	.1	.1
*Imperial Life Assurance Co.	.1	.1	.1	.1
John Hancock Mutual Life Insurance Co.	4.2	4.1	4.2	4.2
*Monarch Life Assurance Co.	.2	.3	.6	.8
*Mutual Life Assurance Co. of Canada	--	--	--	.1
Mutual Life Insurance Co. of New York	3.1	3.2	3.3	3.4
*La Mutuell-Vie de L'U.C.C.	19.1	17.0	15.7	16.5
North American Reassurance Co.	1.1	1.4	1.8	2.2
Occidental Life Insurance Co. of California	.1	.1	.1	.2
Prudential Insurance Co. of America	4.1	4.0	3.9	3.9
Sovereign Life Assurance Co. of Canada	--	--	--	.1
State Farm Life Insurance Co.	2.2	2.3	2.7	2.8
Union Mutual Life Insurance Co.	.2	.2	.3	.4
Western Life Assurance Co.	.2	--	.2	.3





*Nethercut & Young*

*Toronto, Ontario*

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Canadian Co-operative Credit  
Society Ltd.

23B

July 13 1962







SUMMARY OF BRIEF

PRESENTED BY CANADIAN CO-OPERATIVE CREDIT SOCIETY

CO-OPERATIVE BLOCK, REGINA, SASKATCHEWAN

TO

ROYAL COMMISSION ON BANKING AND FINANCE

Organization

1. CCCS is the national instrument of four provincial co-operative credit societies - British Columbia, Saskatchewan, Manitoba and Ontario - brought into being to serve their organizations in the use of their reserve and seasonal surplus funds. It also has as members a number of co-operatives. It serves its members in the same manner as the credit unions. Originally it was intended that seven provincial co-operative credit societies should become members when it was incorporated. Certain technical difficulties have stood in the way of this development.

Legislation

2. The CCCS was incorporated by special act of Parliament on May 4th, 1953, pursuant to the provisions of the Co-operative Credit Associations Act. That act prescribed certain conditions for provincial co-operative credit societies electing to be registered thereunder. By virtue of Section 79, the four which have registered are deemed to be incorporated by special act of Parliament.

## SUMMARY OF BRIEF

PRESENTED BY CANADIAN CO-OPERATIVE CREDIT SOCIETY

CO-OPERATIVE BLOCK, REGINA, SASKATCHEWAN

## FEDERAL COMMISSION ON BANKING AND FINANCE

1. CCCC is the national instrument of four provincial co-operative credit societies - British Columbia, Saskatchewan, Manitoba and Ontario - brought into being to serve their organizations in the use of their reserve and seasonal surplus funds. It also has as members a number of co-operatives. It serves its members in the same manner as the credit unions. Originally it was intended that seven provincial co-operative credit societies should become members when it was incorporated. Certain technical difficulties have stood in the way of this development.

Legislation

2. The CCCC was incorporated by special act of Parliament on May 4th, 1953, pursuant to the provisions of the Co-operative Credit Associations Act. That act prescribed certain conditions for provincial co-operative credit societies electing to be registered thereunder. By virtue of Section 79, the four which have registered are deemed to be incorporated by special act of Parliament.



3. The Co-operative Credit Associations Act is similar in some respects to the typical provincial credit union act. However, at the time of its incorporation the federal authorities had limited knowledge of, and little experience with, credit unions. Concessions were made in the legislation to established practices relating to commercial financial institutions, which have subsequently proved to have inhibited the full development of the societies' operations.

Operations

4. The NACCU brief has set forth in some detail the manner in which the provincial co-operative credit societies function as depositories for reserves and surplus funds of credit unions. It has also analyzed the soundness of the provincial co-operative credit societies and their liquidity in relation to credit unions. The credit unions and CCCS foresee CCCS standing in relation to the provincial co-operative credit societies in the same manner.

5. The operations of CCCS have been modest since its incorporation. It has not shown the usual pattern of growth of co-operative credit societies in the provinces or reflected the growth of credit unions generally.

6. Through registration of provincial credit societies and their supervision by the federal authorities, we believe that in recent years, they have gained a great deal of





# The Co-operative Credit

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1 knowledge as to the stability and soundness of  
2 the principles upon which credit unions operate.  
3 This should enable the federal authorities to  
4 appraise adequately the extension of those  
5 principles to improvements in the Co-operative  
6 Credit Associations Act.

7 Limitations

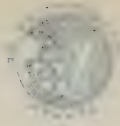
8 7. The main sections of the Act which  
9 have inhibited the usefulness of CCCS as an  
10 instrument of credit unions on a national level  
11 have been:

12 (1) The section which prevents the  
13 investment of the whole or any portion of  
14 the liquidity reserve of the provincial  
15 credit societies in CCCS; and

16 (2) The section which ~~restricts~~ pro-  
17 vincial credit societies from borrowing from  
18 CCCS more than ten per cent of its paid up  
19 capital and total money on deposit plus  
20 bonds pledged, and investments by the bor-  
21 rower in the society (notwithstanding the  
22 demonstrated ability of provincial societies  
23 to borrow substantial sums from the  
24 chartered banks).

25 New Capital

26 8. The provincial central credit  
27 unions and NACCU are determined to make CCCS an  
28 effective instrument in the credit union move-  
29 ment. The three large provincial centrals being  
30 members of the CCCS have recently agreed to add  
to their share capital in CCCS a sufficient sum



knowledge as to the stability and soundness of the principles upon which credit unions operate. This should enable the federal authorities to appraise adequately the extension of those principles to improvements in the Co-operative Credit Associations Act.

7. The main sections of the Act which have inhibited the usefulness of CUCS as an instrument of credit unions on a national level have been:

(1) The section which prevents the investment of the whole or any portion of the liquidity reserve of the provincial credit societies in CUCS; and

(2) The section which prohibits provincial credit societies from borrowing from CUCS more than ten per cent of its paid up capital and total money on deposit plus bonds pledged, and investments by the borrower in the society (notwithstanding the demonstrated ability of provincial societies to borrow substantial sums from the chartered banks).

New Capital

8. The provincial central credit unions and NACU are determined to make CUCS an effective instrument in the credit union movement. The three large provincial central banks members of the CUCS have recently agreed to add to their share capital in CUCS a sufficient sum



1 to bring the paid up capital to approximately  
2 \$500,000.00. To the limited extent permitted  
3 presently by the act, CCCS will use this fund  
4 for loans to its members. The balance it will  
5 invest in authorized securities. From this it  
6 expects to be able to establish an income which  
7 will enable more active functioning of CCCS on  
8 an economic basis.

9 Amendments to Act

10 9. CCCS has recently requested the  
11 Federal Minister of Finance to introduce into  
12 Parliament legislation which would modify and  
13 adapt it to credit ~~union~~ needs and permit CCCS  
14 to function adequately.

15 10. In summary, these requested amendments  
16 are as follows:

17 (1) That a declaration by Order-in-  
18 Council instead of a special act of in-  
19 corporation be required to permit other pro-  
20 vincial co-operative credit societies to  
21 become members.

22 (2) That CCCS be permitted to borrow  
23 from sources other than chartered banks and  
24 associations which are members of the  
25 society.

26 (3) That CCCS be permitted to take a  
27 mortgage on real property at least as col-  
28 lateral security for a loan.

29 (4) That provision be made to permit  
30 provincial societies to deposit with CCCS up





for loans to its members. The balance it will  
invest in authorized securities. From this it  
expects to be able to establish an income which  
will enable more active functioning of CCGS on  
an economic basis.

Amendments to Act

9. CCGS has recently requested the  
Federal Minister of Finance to introduce into  
Parliament legislation which would modify and  
adapt it to credit union needs and permit CCGS  
to function adequately.

10. In summary, these requested amendments  
are as follows:

- (1) That a declaration by Order-in-Council instead of a special act of incorporation be required to permit other provincial co-operative credit societies to become members.
- (2) That CCGS be permitted to borrow from sources other than chartered banks and associations which are members of the
- (3) That CCGS be permitted to take a mortgage on real property at least as collateral security for a loan.
- (4) That provision be made to permit provincial societies to deposit with CCGS up





to three-quarters of their reserve requirements.

(5) ~~That CCCS be permitted to make~~  
loans to provincial credit societies up to  
twenty per cent without security and, if the  
loan is adequately secured, the limit should  
be removed.

(6) That, over and above the  
liquidity reserve of CCCS and registered co-  
operative credit societies, the statute should  
be amended to permit the societies to buy  
short term notes or securities, and longer  
term notes of chartered banks and deposits  
in or guaranteed investment certificates of  
Trust Companies meeting approved standards.

11. It may be that the Minister of  
Finance and his advisers will look to this com-  
mission for guidance as to the legislative  
measures which will assist the large section of  
the population which credit unions serve to  
facilitate the attaining of their ends in the  
activation of the CCCS.

The role of CCCS

12. In further support of these re-  
commendations, we would ask the Commission to  
consider the role which CCCS may play in the  
national scene.

(1) There has been substantial growth  
in the development of provincial credit  
unions in Canada in the last twenty years.  
Provincial co-operative credit societies



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(d) That, over and above the  
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(1) There has been substantial growth  
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Provincial co-operative credit societies



1 have added to the growth, stability and  
2 soundness of credit unions. The develop-  
3 ment of CCCS could, if properly constituted,  
4 serve the needs, and add to the development  
5 of credit unions on a sound basis throughout  
6 the English speaking section of Canada.

7 (2) A strong national credit society  
8 would add to the liquidity of the provincial  
9 centrals. It would not only add diversity  
10 of risk but, having regard to the long  
11 history of voluntary co-operation amongst  
12 credit unions would add security. It would  
13 be able to encourage credit unions through  
14 provincial co-operative credit associations  
15 to keep watch on sound practices, management,  
16 and operations and would tend to encourage  
17 some measure of national uniformity on a  
18 voluntary basis.

19 (3) A strong CCCS could facilitate the  
20 functioning of clearing arrangements on a  
21 more equitable basis.

22 (4) CCCS would have available for use  
23 in the capital market a very substantial part  
24 of all of the reserves and surpluses of the  
25 English speaking credit unions. It too would  
26 have to operate on a very narrow margin of  
27 income and could be expected to be sensitive  
28 to rate changes in the capital market as  
29 well as to monetary policy expressed to it  
30 either through the chartered banks or the



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1 Bank of Canada.

2 Possible Further Roles

3 13. CCCS agrees with the position of  
4 NACCU that there is no present need for federal  
5 regulation and control of provincially in-  
6 corporated credit unions and co-operative credit  
7 societies. However, if it were deemed necessary  
8 in the national interest CCCS could become the  
9 instrument whereby the Federal Government could:

- 10 (1) receive more adequate current  
11 information about credit unions;  
12 (2) convey to the credit unions  
13 national and monetary policies through con-  
14 fidential information and by methods of  
15 voluntary persuasion;  
16 (3) exercise such degree of regulation,  
17 supervision and control (if any) as may be  
18 deemed necessary in the national interest;  
19 (4) reasonably assure that necessary  
20 federal direction would not impede the  
21 proper development of credit unions as local  
22 autonomous provincial bodies; and  
23 (5) be assured that the reserves and  
24 surplus funds of credit unions would take a  
25 responsive part in the development of a  
26 free capital market.
- 27  
28  
29  
30



CCGS agrees with the position of

NACOU that there is no present need for Federal

regulation and control of principally in-

corporated credit unions and co-operative credit

unions. However, if it were deemed necessary

in the national interest CCGS could become the

instrument whereby the Federal Government could

exercise more adequate control

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(3) exercise such degree of regulation,

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(4) reasonably assume that necessary

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(5) be assured that the necessary and

surplus funds of credit unions would take a

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free capital market.



BRIEF OF

CANADIAN CO-OPERATIVE CREDIT SOCIETY

SUBMITTED TO

ROYAL COMMISSION ON BANKING AND FINANCE

I. STRUCTURE AND HISTORY

Background

1. The National Association of Canadian Credit Unions is the equivalent organization on a national basis of the provincial credit union leagues. As has been shown to the Commission, in each province in which briefs were submitted the credit unions have created in one form or another (mainly by co-operative credit societies) instruments for extending credit union principles to organizations consisting of credit unions and/or co-operatives for the pooling of liquidity reserves and surpluses to assure the maximum use of credit union funds in the furtherance of their objects.
2. Canadian Co-operative Credit Society Limited (hereinafter referred to as "CCCS") is the national instrument of provincial co-operative credit societies in a similar manner as NACCU is related to provincial credit union leagues.
3. NACCU represents the organization of the credit unions as a popular democratic movement. CCCS is the national instrument which the credit unions have brought into being to serve their organizations in the use of their funds.
4. Accordingly it appeared to NACCU and CCCS

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1 appropriate that the following national brief should  
2 deal specifically with this organization.

3 5. This submission accordingly is made on  
4 behalf of the Canadian Co-operative Credit Society  
5 Limited. This Society is a federation of four  
6 provincial co-operative credit societies or centrals  
7 and also has, as members, a number of co-operatives.  
8 The four provincial co-operative credit societies or  
9 centrals are in turn federations comprised, not only  
10 of credit unions, but also incorporated co-operatives  
11 in their provinces. These credit unions and their co-  
12 operative credit societies have already been described  
13 in provincial briefs.

14 Characteristics

15 6. The Canadian Co-operative Credit Society  
16 Limited, which is in the nature of a national credit  
17 union, came into existence in the following circum-  
18 stances. Although the objects, functions and benefits  
19 of credit unions have been outlined to the Commission  
20 in various provincial submissions, the real sig-  
21 nificance of CCCS and its member credit societies  
22 cannot be appreciated unless the characteristics of  
23 credit unions which distinguish them from all other  
24 financial institutions are briefly recalled. These  
25 include: the promotion of thrift among the members,  
26 the creation of a fund for loans to members, demo-  
27 cratic control by the users, distribution of surplus  
28 to users, or by the benefit of low rates, services  
29 limited to members, a common bond of association,  
30 emphasis on the education of the members in self



It is noted that the following national credit societies  
deal specifically with this organization.

5. This submission accordingly is made on

behalf of the Canadian Co-operative Credit Society

Limited. This Society is a federation of four

provincial co-operative credit societies or central

and also has, as members, a number of co-operatives.

The four provincial co-operative credit societies are

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of credit unions, but also incorporated co-operatives

in their provinces. These credit unions and their co-

operative credit societies have already been described

in provincial reports.

### Characteristics

6. The Canadian Co-operative Credit Society

Limited, which is in the nature of a national credit

union, came into existence in the following circumstances.

Although the objects, purposes and benefits

of credit unions have been outlined in the formation

in various provincial associations, the fact that

notice of 1903 and the member credit societies

cannot be appreciated unless the characteristics of

credit unions which distinguish them from all other

financial institutions are briefly recalled. These

include: the promotion of thrift among the members;

the creation of a fund for loans to members; and

control by the members, distribution of surplus

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Limited to members, a common bond of association.

are on the education of the members in self



1 help in solving their credit problems.

2 Membership

3 7. From the experience and benefits gained  
4 from the operation of local credit unions, these  
5 credit unions were encouraged to form provincial  
6 federations which embrace not only credit unions but  
7 also other co-operative organizations of various types.  
8 These federations are in the nature of provincial  
9 credit unions but their members are all corporate  
10 bodies. Originally it was intended that seven pro-  
11 vincial co-operative credit societies should become  
12 members of CCCS when it was incorporated. Certain  
13 technical difficulties have been obstacles to co-  
14 operative societies being formed or associated with  
15 CCCS in Alberta, Nova Scotia and Prince Edward Island.  
16 However, the four which have formed the society on  
17 behalf of which this submission is made, are the B.C.  
18 Central Credit Union, Saskatchewan Co-operative Credit  
19 Society Limited, Co-operative Credit Society of Mani-  
20 toba Limited and Ontario Co-operative Credit Society,  
21 three of which the Commission will have learned are  
22 of considerable size. The Commission will have noted  
23 that in the briefs for Saskatchewan and Manitoba filed b  
24 their respective provincial leagues, reference is made  
25 and some statistics are given with respect to the co-  
26 operative credit societies in those provinces. In  
27 British Columbia and Ontario separate briefs were  
28 filed on behalf of the B. C. Central Credit Union  
29 and the Ontario Co-operative Credit Society. In  
30 Schedule 1 annexed hereto will be found supplemental





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operative credit societies in those provinces. In

British Columbia and Quebec separate statistics were

filed on behalf of the E.C. Central Credit Union

and the Ontario co-operative credit society. In

Schedule I annexed hereto will be found information





1 material so that an adequate picture of all four of  
2 these provincial co-operative credit societies may  
3 be obtained.

4 8. CCCS is representative of this group of  
5 four provincial co-operative credit societies and it  
6 will be recalled that in general it serves its credit  
7 union and co-operative members in the same manner  
8 that a credit union serves its individual members.

9 9. In the case of credit unions and other  
10 co-operatives, it was found that by forming provincial  
11 co-operative credit societies or centrals they have  
12 been able to give greater service to their members.

13 Purpose of Incorporation

14 10. As experience and benefits were gained  
15 by provincial credit societies, they decided that  
16 they could better serve their respective member  
17 credit unions if they in turn formed a national co-  
18 operative credit society, thereby pooling surplus  
19 funds on a national basis and lending to provincial  
20 members as required. With this object in view an  
21 attempt was made to incorporate a national co-operative  
22 credit society under existing federal legislation.  
23 At this stage the desirability of assuring the con-  
24 stitutional validity of the centrals was given con-  
25 sideration. The constitutional question had not  
26 undergone the test of judicial review, but as co-  
27 operative credit officials were naturally most anxious  
28 that the national development should be on a sound  
29 legal basis, they co-operated in the drafting of a  
30 bill which not only provided for the incorporation  
of CCCS but also provided for the registration



material so that an adequate picture of all four of these provincial co-operative credit societies may be obtained.

8. CCOCS is representative of this group of four provincial co-operative credit societies and it will be recalled that in general it serves its credit union and co-operative members in the same manner that a credit union serves its individual members. In the case of credit unions and other co-operatives, it was found that by forming provincial co-operative credit societies or centrals they have been able to give greater service to their members.

Purpose of Incorporation

10. As experience and benefits were gained by provincial credit societies, they decided that they could better serve their respective member credit unions if they in turn formed a national co-operative credit society, thereby pooling surplus funds on a national basis and lending to provincial members as required. With this object in view an attempt was made to incorporate a national co-operative credit society under existing federal legislation. At this stage the desirability of assuming the constitutional validity of the centrals was given consideration. The constitutional question had not undergone the test of judicial review, but as co-operative credit officials were naturally most anxious that the national development should be on a sound legal basis, they co-operated in the drafting of a bill which not only provided for the incorporation of CCOCS but also provided for the registration



1 thereunder of provincial co-operative credit  
2 societies. This bill later became the Co-operative  
3 Credit Associations Act (S.C. 1952-53, C.28). The  
4 Act gave to provincial credit societies registered  
5 under it certain powers and imposed certain limita-  
6 tions and rendered them subject to supervision by  
7 the Superintendent of Insurance. Choice to register  
8 or not under the Act is voluntary.







II. LEGISLATION

Statutory Provisions

11. By a special Act of Parliament CCCS was incorporated on May 14th, 1953, pursuant to the provisions of the Co-operative Credit Associations Act.

12. The Co-operative Credit Associations Act prescribed certain conditions for centrals electing to be registered thereunder. The four provincial credit societies already mentioned ultimately complied with the conditions. By virtue of Section 79 they are deemed to be co-operative credit societies incorporated by special act of Parliament and are vested with the powers, privileges and immunities and are subject to the limitations, liabilities and provisions set forth in the Act.

13. Section 4 provides that an association incorporated thereunder may also have as members "not more than ten co-operative corporations (not being co-operative credit societies) carrying on business in two or more provinces." Under this provision CCCS has accepted as members the following co-operatives: Interprovincial Co-operatives Limited, Canadian Co-operative Implements Limited, Federated Co-operatives Limited, Saskatchewan Co-operative Wheat Producers Limited, Co-operative Life Insurance Company and Co-operative Fire and Casualty Company. The last two named co-operatives have recently become members.

14. These co-operative associations have not to date found it necessary or convenient to use the services of CCCS to any appreciable extent. In any



Statutory Provisions

11. By a special Act of Parliament 1908 was

enacted the Co-operative Credit Associations Act.

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operative Implements Limited, Federated Co-operative

Limited, Saskatchewan Co-operative Wheat Producers

Limited, Co-operative Life Insurance Company and Co-

operative Fire and Casualty Company. The last two

named co-operatives have recently become members.

14. These co-operative associations have not

to date found it necessary or convenient to use the

services of 1908 to any appreciable extent. In any



1 event as later shown no substantial surplus of the  
2 funds of provincial co-operative credit societies have  
3 been deposited with the CCCS to date which would ex-  
4 ceed the requirements of the credit union organiza-  
5 tions themselves.

6 15. The Canadian Co-operative Credit Society  
7 has a nominal capital of one million dollars divided  
8 into ten thousand shares. Under its special act of  
9 incorporation it was required, before commencing  
10 business, to have two hundred and fifty thousand  
11 dollars bona fide subscribed and one hundred thousand  
12 dollars in a chartered bank in excess of its liabili-  
13 ties. By Section 7 of the provisions of the Co-operative  
14 Credit Associations Act were made applicable to the  
15 Society and it is that Act to which we must look for  
16 its powers and limitations.

17 16. It is natural and significant that the  
18 main features of this legislation are very similar  
19 to those of the typical provincial credit union act as  
20 the purpose of the legislation is to enable credit  
21 unions to extend the benefits of the pooling of their  
22 funds on a national basis and to further render to  
23 their members services which have been found to be in  
24 the public interest.

25 17. At the same time it was necessary in  
26 drafting national legislation to have regard to  
27 established federal legislation dealing with commercial  
28 financial institutions which have a long history of  
29 sound administration under the Department of Insurance.  
30 The adaptation of credit union principles and practices





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2. funds of provincial co-operative credit societies have

3. been deposited with the CCGS to date which would ex-

4. ceed the requirements of the credit union organiza-

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9. incorporation it was required, before commencing

10. business, to have two hundred and fifty thousand

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1 in this manner in the Co-operative Credit Associations  
2 Act is reflected in the following features of that  
3 Act.

4 18. The membership is limited by Section 4 (1)  
5 (a) co-operative credit societies incorporated by  
6 Special Act; (b) any co-operative credit society  
7 declared by Parliament to be eligible to become a  
8 member of an association; (c) not more than ten co-  
9 operative corporations (not being co-operative credit  
10 societies) carrying on business in two or more pro-  
11 vinces; and (d) not more than fifteen natural persons.  
12 The reason for permitting natural persons to be  
13 members was to facilitate incorporation.

14 19. The main objects are very similar to  
15 those of the credit unions or provincial co-operative  
16 credit societies. Section 8 provides that the objects  
17 and powers of the association are: (a) to receive  
18 money on deposit from its members upon such terms as  
19 to interest and time of repayment as may be agreed  
20 upon;

21 (b) To lend money to its members upon such terms as  
22 to interest, security, and time of repayment as may  
23 be agreed upon;

24 (c) to borrow or raise money from its members or from  
25 an association of which it is a member or from  
26 chartered banks in Canada upon such terms as to  
27 interest, security and time of repayment as may be  
28 agreed upon;

29 (d) to deposit money in chartered banks in Canada or  
30 with an association of which it is a member; and



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(d) to deposit money in chartered banks in Canada or  
with an association of which it is a member; and



1 (e) to invest in bonds, debentures or other securities  
2 or guarantees by the Government of Canada, and in  
3 other limited securities, including, but not to exceed  
4 ten per cent of paid up capital, negotiable securities.

5 20. It should be noted that under Section 9  
6 no association has the power to make a loan upon the  
7 security of a mortgage on real property owned by the  
8 borrower. It should also be noted that sections  
9 43 to 49 provide definite limitation on loans and  
10 investments, limits on loans to members, limits on  
11 liabilities and that an association is not permitted  
12 either directly or indirectly to deal with the buying  
13 or selling or bargaining of goods, wares or mer-  
14 chandise or engage in any trade or business.

15 21. Control of the Society is through dele-  
16 gates, the typical method of democratic control used  
17 in credit unions by their members. This is set  
18 forth in bylaws.

19 22. The method of distributing earnings  
20 should also be noted. Section 50 provides that  
21 after a percentage of earnings is set aside and  
22 interest paid on the paid up capital at a rate  
23 authorized by bylaw "such further portion of the  
24 remaining net earnings as the directors may deter-  
25 mine may be distributed as a dividend among the  
26 members of the association in such manner as may be  
27 provided in the bylaws". Article VII, Section 1 (c)  
28 provides as follows: "The remainder of the net  
29 earnings or such portion thereof, if any, which the  
30 directors see fit to distribute shall be allocated,



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22. The method of distributing earnings should also be noted. Section 50 provides that after a percentage of earnings is set aside and interest paid on the paid up capital at a rate authorized by bylaw "such further portion of the remaining net earnings as the directors may determine may be distributed as a dividend among the members of the association in such manner as may be provided in the bylaws". Article VII, Section 1 (a) provides as follows: "The remainder of the net earnings or such portion thereof, if any, which the directors see fit to distribute shall be allocated,





1 credited or paid to the members of the association  
2 as a borrower dividend in proportion to the interest  
3 earned by the association from such members during  
4 such year, computed at a rate in relation to the  
5 interest paid to the association by the members with  
6 appropriate differences in the rate for different  
7 classes of services, provided that patronage dividends  
8 so allocated and interest credited or paid to the  
9 members of the association may be placed to the  
10 credit of such member on share capital account until  
11 the unpaid balance of all shares held by such a  
12 member is fully paid up."

13 23. Another feature of credit unions is the  
14 power to redeem shares. Section 26, ss(3) provides  
15 that an association may redeem any or all shares of  
16 its capital stock held by a member upon payment of  
17 an amount to be agreed upon by the association and the  
18 member not exceeding the actual value of such shares  
19 or the amount paid thereon, whichever is the lesser,  
20 and subject to such conditions as may be set forth in  
21 the bylaws. Section 26, ss (5) also places a limit  
22 on redemptions. Section 55 provides for inspection  
23 by the Superintendent of Insurance and he may also  
24 require information regarding provincial credit  
25 societies that are members of the Society.

26 24. As copies of the Acts and bylaws are  
27 annexed hereto, as Schedules 2 and 3, it does not  
28 appear necessary to go into further detail of the  
29 legislation.  
30



credited or paid to the members of the association as a borrower dividend in proportion to the interest earned by the association from such members during such year, computed at a rate in relation to the interest paid to the association by the members with appropriate differences in the rate for different classes of services, provided that patronage dividends so allocated and interest credited or paid to the members of the association may be placed to the credit of such member on share capital account until the unpaid balance of all shares held by such a member is fully paid up."

23. Another feature of credit unions is the power to redeem shares. Section 26, as (3) provides that an association may redeem any or all shares of the capital stock held by a member upon payment of an amount to be agreed upon by the association and the member not exceeding the actual value of such shares, or the amount paid thereon, whichever is the lesser, and subject to such conditions as may be set forth in the bylaws. Section 26, as (5) also places a limit on redemptions. Section 25 provides for inspection by the Superintendent of Insurance and he may also require information regarding provincial credits and associates that are members of the Society.

24. As copies of the Acts and bylaws are annexed hereto, as Schedules 2 and 3, it does not appear necessary to go into further detail of the



1                    III. LIQUIDITY AND SOUNDNESS

2                    25.            From the submissions of the provincial  
3                    leagues and centrals the Commission will be cog-  
4                    nizant of the fact that many credit unions maintain  
5                    their liquidity reserves as well as seasonal surpluses  
6                    in the co-operative credit societies. These seasonal  
7                    surpluses arise by reason of the very wide variety of  
8                    communities and types of economic groupings which credit  
9                    unions serve in each province with differing seasons  
10                  of demands for loans and withdrawals.

11                  26.            In the same way the co-operative credit  
12                  societies maintain liquidity reserves and have seasons  
13                  in which they are in surplus funds. In other seasons  
14                  where the needs of credit unions may coincide the  
15                  credit societies may require to borrow funds. As  
16                  will be observed from Schedule 4 annexed hereto, the  
17                  surplus funds in the hands of the credit societies  
18                  vary in amount and the periods of demand likewise  
19                  show variations.

20                  27.            In the provinces the funds invested and  
21                  deposited with the credit societies are

- 22                    (1)    loaned to credit unions to meet their needs,  
23                    (2)    loaned to other co-operative members, or  
24                    (3)    invested mostly in securities of or  
25                    guaranteed by governments.

26                  Most of such loans are short term or repayable in  
27                  short regular instalments and investments are short  
28                  term, or readily marketable, to assure liquidity on  
29                  the one hand, and to make sure the funds in the  
30                  society will be made available to meet their primary





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1 obligation to assist the credit unions in meeting  
2 the needs of their members in their local communities.

3 28. The incorporation of CCCS was an attempt  
4 to extend this same principle to the national level.  
5 For reasons hereinafter indicated this development  
6 has been delayed by a number of factors. It is,  
7 however, the intention and desire of NACCU and the  
8 credit societies to move forward now with the develop-  
9 ment as rapidly as possible.

10 29. A review of the briefs submitted by the  
11 provincial leagues and credit societies and the in-  
12 formation supplied to the Commission in answer to  
13 the questionnaire requested to be answered by your  
14 research staff, we submit demonstrates the sound-  
15 ness of this type of organization. The long history  
16 of operation of credit unions themselves with only  
17 minor aggregate losses through bad debts, as well as  
18 the somewhat shorter history of the operation of  
19 credit societies with similar experience, speaks  
20 stronger than words in this respect. The statutory  
21 guarantee reserves in the legislation in each province  
22 has proven to be more than adequate.

23 30. With the multiplicity of credit unions across  
24 Canada, one would expect to find a few which from  
25 time to time run into trouble through unsound lending  
26 practices, poor management, or inadequate reserves.

27 31. The evidence shows that wherever such  
28 problems have existed the organized credit union move-  
29 ment has, particularly in recent years, devised ways  
30 and means by co-operative effort, not only to see  
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obligation to assist the credit unions in meeting the needs of their members in their local communities. The incorporation of CUCS was an attempt to extend this same principle to the national level. For reasons hereinafter indicated this development has been delayed by a number of factors. It is, however, the intention and desire of NACCU and the credit societies to move forward now with the development as rapidly as possible.

29. A review of the priels submitted by the provincial leagues and credit societies and the information supplied to the Commission in answer to the questionnaire requested to be answered by your research staff, we submit demonstrates the soundness of this type of organization. The long history of operation of credit unions themselves with only minor aggregate losses through bad debts, as well as the somewhat shorter history of the operation of credit societies in the United States, is stronger than words in this respect. The statutory guarantee reserves in the legislation in each province has proven to be more than adequate.

30. With the multiplicity of credit unions across Canada, one would expect to find a few which from time to time run into trouble through unsound lending practices, poor management, or inadequate reserves. The evidence shows that wherever such problems have existed the organized credit union movement has, particularly in recent years, devised ways and means by co-operative effort, not only to see that no members suffer loss, but also wherever desirable



1 able to see that the credit union is either re-  
2 habilitated or its continued service to its members  
3 assured by absorption into another credit union.  
4 Satisfactory bonding provisions are universally required.  
5 Extensive educational and training programs have  
6 been designed to strengthen not only the weak but  
7 to assure sound leadership and management commensurate  
8 with growth.

9 32. The mutuality and self discipline of the  
10 credit unions themselves in this respect has provided  
11 a solid foundation for the credit societies. In  
12 addition to this, however, the credit societies  
13 have other factors contributing to their soundness  
14 which goes beyond the statutory and factual reserves  
15 which they maintain. As credit unions deal only  
16 with members and as shareholding is a predominant  
17 form of member equity in the English speaking section  
18 of the credit union movement, they have very few out-  
19 side ordinary creditors. Accordingly the loans by  
20 credit societies to credit unions (whose borrowing  
21 powers are restricted by statute) are exceptionally  
22 secure. With respect to co-operative loans, where  
23 this secure position is not applicable, specific  
24 security is taken.

25 33. One other factor of soundness in credit  
26 societies is the wide diversity of membership in  
27 each province, both as to local areas of operation  
28 and as to economic groupings. Amongst the four  
29 member credit societies of CCCS the evidence dis-  
30 closes that in British Columbia, Saskatchewan and





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52. The mutuality and self discipline of the credit unions themselves in this respect has provided a solid foundation for the credit societies. In addition to this, however, the credit societies have other factors contributing to their soundness which goes beyond the statutory and factual reserves which they maintain. As credit unions deal only with members and as shareholding is a predominant form of member equity in the English speaking section of the credit union movement, they have very few outside ordinary creditors. Accordingly the loans by credit societies to credit unions (whose borrowing powers are restricted by statute) are exceptionally secure. With respect to co-operative loans, where this secure position is not applicable, specific security is taken.

53. One other factor of soundness in credit societies is the wide diversity of membership in each province, both as to local areas of operation and as to economic groupings. Amongst the four member credit societies of CCCC the evidence discloses that in British Columbia, Saskatchewan and





1 Manitoba virtually all credit unions are members of  
2 the credit societies in their respective provinces.  
3 In Ontario 476 credit unions out of approximately 1350  
4 belong to the Ontario Co-operative Credit Society.  
5 Other credit unions in that province use the services  
6 provided by the Ontario Credit Union League in the  
7 nature of a central credit union. (There are some  
8 250 French speaking credit unions in Ontario in  
9 addition, which have their own association.

10 34. The four credit societies, members of CCS  
11 (which include the largest credit societies) are sub-  
12 ject to regulation under the Co-operative Credit  
13 Associations Act and to the inspection of the Super-  
14 intendent of Insurance. As shown in several of the  
15 provincial briefs this supervision and inspection are  
16 carefully performed and administered.

17 35. In addition to their sound operation, how-  
18 ever, credit societies must be concerned with their  
19 liquidity, as in large measure they are an important  
20 source of liquidity for the credit unions. Most  
21 provinces as shown by the evidence have statutory re-  
22 quirements with respect to liquidity. Even in those  
23 provinces where no statutory obligation requires  
24 liquidity reserves, credit unions have made provision  
25 for liquidity on the basis of local conditions (in  
26 Ontario, for instance, the brief of the Ontario Credit  
27 Union League shows the aggregate average to be 4.6 per  
28 cent of the total assets in cash in chartered banks and  
29 4.7 per cent invested in shares and deposits in Ontario  
30 Co-operative Credit Society and/or Ontario Credit Union  
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The four credit societies, members of CUS (which include the largest credit societies) are subject to regulation under the Co-operative Credit Associations Act and to the inspection of the Superintendent of Insurance. As shown in several of the provincial briefs this supervision and inspection are carefully performed and administered.

In addition to their sound operation, however, credit societies must be concerned with liquidity, as in large measure they are an important source of liquidity for the credit unions. Most

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1 36. Where statutory provision is made general-  
2 ly the liquidity reserve required is from 5 per cent  
3 to 8 per cent on shares and from 20 per cent to 25 per  
4 cent on deposits. While shares and deposits  
5 are generally regarded as readily withdrawable in  
6 credit unions, in fact both legally and in practice  
7 shares tend to be regarded as longer term savings.

8 37. As pointed out in the first part of this  
9 submission, there are a number of facets to the  
10 liquidity of credit unions. These likewise apply  
11 to the liquidity of credit societies. Diversity  
12 and the short term basis of loans, and the fre-  
13 quency of repayment of loans, as well as marketable  
14 short term investments and borrowing power and  
15 large cash deposits with chartered banks place  
16 credit societies in a liquid position, which we  
17 submit is commensurate with the probability of  
18 demand. However, an additional feature of the  
19 credit societies registered under the Co-operative  
20 Credit Associations Act is that if the liquidity  
21 reserve (20 per cent, at least 5 per cent in cash)  
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IV. PROPOSALS TO ACTIVATE CCCS

38. As the credit societies have proven to be a sound source of liquidity for credit unions, it is the belief of the members of NACCU and CCCS that a national co-operative credit society can plan a satisfactory like role for the credit societies if developed in the manner hereinafter proposed.

39. Annexed to this brief as Schedule 5 is a chart showing the modest operations of CCCS since its incorporation. It will be appreciated from this chart that the development of CCCS has not shown the usual pattern of growth of co-operative credit societies in the provinces or reflected the growth of credit unions generally.

40. There are at least three reasons for this:

(a) In the first place this was a new type of national financial organization, which although it was adapted to credit union principles in much of its structure, was patterned with respect to federal legislation existing with a long history both of legislation and experience. It was placed under the very competent and careful supervision and direction of the Department of Insurance, whose experience and knowledge about commercial financial institutions such as trust companies, insurance companies and loan companies is extensive. However, Federal understanding of the operation of credit unions at the time the CCCS was incorporated was limited because,



UNITED STATES DEPARTMENT OF AGRICULTURE

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39. Annexed to this brief as Schedule 2 is a

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historically, these had been provincial institutions.

41. It has therefore been necessary to establish the confidence of the Federal authorities in this type of organization. Through the registration of provincial credit societies and their supervision by the Federal authorities, we believe in recent years they have gained a great deal of knowledge as to the stability and soundness of the principles to appraise adequately the extension of those principles and practices to the activation of the somewhat dormant CCCS.

42. (b) There were placed upon CCCS, for reasons indicated above some restrictions in the legislation which have proven major restraints on its successful operation as a national credit society. These have inhibited its usefulness as an instrument of the credit unions on a national level. Most prominent of these restrictions have been:

(1) The failure of the legislation to permit the investment of the whole or any portion of the liquidity reserve of the provincial credit societies in CCCS. The Commission will have noted that this is one of the major sources of funds of provincial credit societies which has accounted for their steady growth and service to the credit unions as they have grown. Without this basic source of funds, CCCS as a depository of funds is limited to surplus funds of the member credit societies. While these





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1 surplus funds in provincial credit societies have  
2 been growing over the years since 1953 (when CCCS  
3 was incorporated), they have not of themselves  
4 been sufficient to justify the full operation  
5 of that society.

6 (2) The provincial centrals have been  
7 able to borrow substantial sums from the  
8 chartered banks (and in the case of Ontario  
9 Co-operative Credit Society also from the  
10 money market). Sometimes they give an  
11 assignment of book accounts as security.  
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13 from CCCS more than 10 per cent of its paid up  
14 capital and total money on deposit plus bonds  
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16 the society. (Sec. 46). This consequently  
17 has restricted its usefulness to provincial  
18 credit societies.

19 (c) Because of the need for time to estab-  
20 lish confidence with the Department of Insurance  
21 to which the Minister of Finance properly looks  
22 for advice in these matters, and the legislative  
23 restrictions upon the useful operation of CCCS as  
24 a national instrument for the benefit of provincial  
25 credit societies, they have been reluctant to  
26 struggle to make the CCCS function within these  
27 limitations.

28 46. The provincial central credit unions  
29 and NACCU (representing the credit unions in Canada  
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surplus funds in provincial credit societies have been growing over the years since 1953 (when CCCC was incorporated), they have not of themselves been sufficient to justify the full operation of that society.

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(c) Because of the need for time to establish confidence with the Department of Insurance to which the Minister of Finance properly looks for advice in these matters, and the legislative restrictions upon the useful operation of CCCC as a national instrument for the benefit of provincial credit societies, they have been reluctant to struggle to make the CCCC function within these limitations.

46. The provincial central credit unions and NACCU (representing the credit unions in Canada as the ultimate beneficiary of such a national



1 institution) are determined to make CCS an effective  
2 instrument in the credit union movement. No doubt  
3 the Superintendent of Insurance and Parliament will  
4 look for guidance from this Commission as to legis-  
5 lative measures which will assist the large section  
6 of the population which credit unions serve, to  
7 facilitate this end.

8 47. To demonstrate their intention to  
9 forge forward to this end, the three large provincial  
10 centrals being members of CCCS have recently agreed  
11 to add to their share capital in CCCS a sufficient  
12 sum to bring the paid up capital to approximately  
13 \$500,000.00. To the limited extent permitted present-  
14 ly by the Act, they will use this fund for loaning to  
15 their members, the balance they will invest in  
16 authorized securities. From this they expect to be  
17 able to establish an income which will enable more  
18 active functioning of CCCS on an economic basis and  
19 be able to provide some return by way of dividend to  
20 the credit societies.

21 48. At the same time they are determined now  
22 to move forward to press for amendments to the Act  
23 which will give clearer recognition to the experience  
24 and manner of operation of the credit union principles  
25 and practices extended to the national level.





institution) are determined to make CCS an effective instrument in the credit union movement. No doubt the Superintendent of Insurance and Parliament will look for guidance from this Commission as to legislative measures which will assist the large section of the population which credit unions serve, to facilitate this end.

47. To demonstrate their intention to force forward to this end, the three large provincial central banks being members of CCS have recently agreed to add to their share capital in CCS a sufficient sum to bring the paid up capital to approximately \$500,000.00. To the limited extent permitted presently by the Act, they will use this fund for loaning to their members, the balance they will invest in authorized securities. From this they expect to be able to establish an income which will enable more active functioning of CCS on an economic basis and be able to provide some return by way of dividend to the credit societies.

48. At the same time they are determined now to move forward to press for amendments to the Act which will give clearer recognition to the experience and manner of operation of the credit union principles and practices extended to the national level.





V. RECOMMENDED AMENDMENTS TO ACT

49. The provincial credit societies and NACCU, as well as the officers of CCCS see the following to be necessary amendments to the Act. They consider these to be warranted by the factual material relating to credit union and credit society operations placed before this Commission. Inasmuch as this Commission is charged with examining into and making recommendations not only with respect to the Bank Act, but also other federal legislation, we strongly urge that it should in its wisdom recommend a lessening of the restrictions placed upon CCCS in the Co-operative Credit Associations Act in the following respects (these proposals have recently been submitted to the Federal Minister of Finance):

50. (1) At present a provincial co-operative credit society is not deemed to be an association incorporated by special Act and eligible to become a member of CCCS until it is so declared by Parliament (Sec. 79 (1) (b)). It is submitted that a declaration by Order-in-Council should be sufficient as under Section 79 (2) the Treasury Board may also approve. The present requirement involves great expense and delay on the part of a prospective member. (Sec. 82 would also require to be amended).

51. (2) By Section 8 (1) (c) an association including CCCS can borrow only from chartered banks and an association of which it is a member. This section should be amended to permit borrowing



1. The provincial credit societies and  
 2. NACOU, as well as the officers of CCGS see the  
 3. following to be necessary amendments to the Act.  
 4. They consider these to be warranted by the factual  
 5. material relating to credit union and credit society  
 6. operations placed before this Commission. Inasmuch  
 7. as this Commission is charged with examining into  
 8. and making recommendations not only with respect to  
 9. the Bank Act, but also other federal legislation,  
 10. we strongly urge that it should in its wisdom re-  
 11. commend a lessening of the restrictions placed upon  
 12. CCGS in the Co-operative Credit Associations Act in  
 13. the following respects (these proposals have recently  
 14. been submitted to the Federal Minister of Finance):  
 15. 50. (1) At present a provincial co-operative credit  
 16. society is not deemed to be an association in-  
 17. corporated by special Act and eligible to become  
 18. a member of CCGS until it is so declared by  
 19. Parliament (Sec. 79 (1) (b)). It is submitted  
 20. that a declaration by Order-in-Council should be  
 21. sufficient as under Section 79 (2) the Treasury  
 22. Board may also approve. The present requirement  
 23. involves great expense and delay on the part of  
 24. a prospective member. (Sec. 82 would also require  
 25. to be amended).  
 26. 51. (2) By Section 8 (1)(c) an association in-  
 27. cluding CCGS can borrow only from chartered banks  
 28. and an association of which it is a member. This  
 29. section should be amended to permit borrowing



1 from other sources.

2 52. The Canadian Co-operative Credit Society  
3 should be free to participate in open market  
4 operations for financing in the same manner and  
5 to the same extent as other institutions without  
6 being restricted to dealing with the chartered  
7 banks. If this market is responsive to changes  
8 in monetary policy the influence of that policy  
9 on CCCS will be as effective as if CCCS were  
10 restricted to borrowing from the chartered banks.  
11 It should be appreciated that in order to carry  
12 out clearing provincial co-operative credit  
13 societies and/or CCCS would still have to main-  
14 tain substantial sums on deposit with the  
15 chartered banks.

16 53. (3) The limitation of the power of an  
17 association (CCCS) to make a loan upon the  
18 security of a mortgage on real property should  
19 be removed or modified. (Sec. 9 (a)).

20 54. In many instances, particularly with  
21 respect to co-operative loans, the borrowing  
22 member is possessed of real property. There  
23 would appear to be no good reason why that pro-  
24 perty should not be taken as security.

25 55. (4) At present under Sec. 45 (a) an  
26 association (CCCS and provincial co-operative  
27 credit societies) may not make loans to a  
28 member or invest in government, municipal or  
29 school securities if the aggregate of its  
30 cash on hand and in chartered banks and the





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The Canadian Co-operative Credit Society

should be free to participate in open market operations for financing in the same manner and to the same extent as other institutions without being restricted to dealing with the chartered banks. If this market is responsive to changes in monetary policy the influence of that policy on CCOCS will be as effective as if CCOCS were

restricted to borrowing from the chartered banks. It should be appreciated that in order to carry out clearing provincial co-operative credit societies and/or CCOCS would still have to maintain substantial sums on deposit with the

(3) The limitation of the power of an

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(4) At present under Sec. 45 (a) an

association (CCOCS and provincial co-operative credit societies) may not make loans to a member or invest in government, municipal or school securities if the aggregate of its cash on hand and in chartered banks and the





1 market value of its government, municipal  
2 and school securities (excluding any pledged)  
3 is less than 20 per cent of the total  
4 amount of money on deposit with the  
5 association. It is recommended that this  
6 section be amended to permit provincial  
7 societies to deposit three-fourths of their  
8 reserve requirements in CCCS (i.e.) 15 per  
9 cent of total deposits. The present pro-  
10 vision prevents CCCS from effectively carrying  
11 out its objects.

12 56. The successful operation of provincial  
13 co-operative credit societies has been demonstrated  
14 to be in part due to the fact that the credit  
15 union members of those societies are able to  
16 deposit with them not only surplus funds from  
17 time to time but their reserves. It is sub-  
18 mitted that the successful operation of the  
19 Canadian Co-operative Credit Society is de-  
20 pendent upon the provincial co-operative credit  
21 societies being likewise permitted to deposit  
22 a substantial portion of their liquidity reserves  
23 in the Canadian Co-operative Credit Society.  
24 With respect to clearing facilities and for  
25 immediate liquidity purposes, it may be desir-  
26 able for provincial co-operative credit societies  
27 to keep certain funds in cash or on deposit with  
28 the chartered banks. The proposal is that three-  
29 fourths of their reserve requirements might be  
30 deposited in the Canadian Co-operative Credit



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1 Society instead of being invested in govern-  
2 mental securities. Only reserves and surplus  
3 funds would be affected but this proposal  
4 would centralize the investments of the credit  
5 unions through centrals and CCCS and thus add  
6 to the mobility of credit union reserves and  
7 surplus. This mobility would permit greater  
8 response to the influence of monetary policy.

9 57. (5) By Sec. 46 an association (CCCS or a  
10 provincial credit society) shall not lend to  
11 or invest in the securities of a member if  
12 total loans to the member, less market value of  
13 securities pledged as security therefor, plus  
14 amounts invested by the association in securities  
15 of the member, exceeds 10 per cent of paid up  
16 capital plus deposits. It is recommended that the  
17 10 per cent limit should be raised with respect  
18 to loans by CCCS to provincial credit societies  
19 to 20 per cent and if the loan is adequately  
20 secured by the pledge of bonds, securities or an  
21 assignment of accounts receivable, the limit should  
22 be removed.

23 58. The provincial co-operative credit  
24 societies which are members of CCCS, presently  
25 have lines of credit with the chartered banks  
26 and an ability to borrow far exceeding the  
27 limitation of the Co-operative Credit Associa-  
28 tions Act on borrowing from CCCS. It is sub-  
29 mitted that it would be sound to permit them to  
30 borrow at least 20 per cent from CCCS without







1 security and further sums if adequately secured.  
2 This would make CCCS an effective instrument for  
3 use by the provincial co-operative credit  
4 societies, and again, add to the mobility of  
5 reserve and surplus funds in the credit union  
6 movement.

7 59. The provincial co-operative credit  
8 societies have now demonstrated in their opera-  
9 tion, since the enactment of the Co-operative  
10 Credit Associations Act, the soundness of their  
11 respective positions. The development of  
12 credit unions in the respective provinces of  
13 Canada has in part been facilitated by the  
14 frequent adaptation by amendment and revision  
15 of the provincial statutes to meet changing  
16 conditions as credit unions have grown, in a  
17 manner related to their unique nature and  
18 philosophy of mutual aid. It is submitted that  
19 no amendments having been made since the Act  
20 was passed, the time has now come when federal  
21 legislation dealing with the Canadian Co-operative  
22 Credit Society should be more specifically  
23 adapted to credit union principles and sound  
24 practices conducive to their development.

25 60. (6) Over and above the liquidity reserve  
26 of CCCS and registered co-operative credit  
27 societies, the statute should be amended to  
28 permit the societies to buy short-term notes  
29 or securities of established co-operatives and  
30 other corporate bodies meeting approved standards



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adapted to credit union principles and sound  
 practices conducive to the development.

(b) Over and above the liability reserves  
 of 1000 and registered co-operative credit  
 societies, the statute should be amended to  
 require the societies to pay short-term loans  
 in accordance with the existing co-operative  
 other corporate bodies meeting approved conditions



1 and municipal short-term issues for a period  
2 of 180 days or less, and longer term notes  
3 of chartered banks and deposits in or guaranteed  
4 investment certificates of trust companies  
5 meeting approved standards.







VI. THE ROLE OF CCCS IN NATIONAL INTEREST

61. In further support of these recommendations to the Commission, we would ask it to consider the role which CCCS might play in the national scene in the following respects:

62. (a) There has been substantial growth in the development of provincial local credit unions in Canada in the last 20 years (and even prior to that amongst the caisses populaires in Quebec). Excluding the caisses populaires, they now have in membership over 1,000,000 members and are guardians of their savings to an extent exceeding one-half billion dollars.

63. Provincial co-operative credit societies in a number of provinces have shown themselves as instruments created by the credit unions, to have added to their growth, stability and soundness. They have demonstrated their value in a multitude of local communities in encouraging thrift amongst persons of moderate means, and in pioneering and continuing to meet the needs of this group of people, who often are unable to take effective advantage of savings and loan facilities provided by other lending institutions and by making loans for provident and productive purposes -- often purposes which the Government has sought to encourage other institutions to undertake by the offer of guarantees. The



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has sought to encourage other institutions to

undertake by the offer of guarantees. The



1 credit union people have shown unusual in-  
2 genuity in developing instruments of self  
3 help on the basis of mutuality.

4 64. The development of CCCS is another il-  
5 lustration of this ingenuity and could if pro-  
6 perly constituted to serve their needs, add to  
7 the development on a sound basis, of the credit  
8 unions throughout the English speaking section  
9 of Canada.

10 65. (b) A strong national credit society would  
11 add to the liquidity of the provincial centrals.  
12 It would not only add diversity, but having  
13 regard to the long history of voluntary co-  
14 operation amongst credit unions would add  
15 security. Just as the provincial centrals  
16 have now developed into a position that by  
17 moral persuasion they are beginning to be  
18 able to encourage the credit unions to keep  
19 watch on sound practices, management, and  
20 operations, it should be expected that a  
21 strong national organization would ultimately  
22 become a useful and forceful instrument to  
23 encourage some measure of national uniformity  
24 in this respect on a voluntary basis.

25 66. (c) Negotiations with the Canadian Bankers'  
26 Association are carried on by CCCS on behalf  
27 of the provincial credit societies with respect  
28 to clearing privileges. A strong CCCS could  
29 facilitate the functioning of clearing arrange-  
30 ments and place the credit societies in a



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(b) A strong national credit society would

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of the provincial credit societies with respect  
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ments and place the credit societies in a





1                    position through CCCS to work out more equit-  
2                    able arrangements for the handling of items of  
3                    the credit unions by the banks and vice versa.  
4       67.       (d) Credit union members are usually persons  
5                    of modest income. Particularly in rural areas  
6                    he is a primary producer -- a farmer or fisherman.  
7                    In the cities working class people and lower  
8                    income white collar workers predominate in the  
9                    membership. Such persons do not have the time  
10                   or the knowledge to participate in the sophisti-  
11                   cated world of the financial market. They are  
12                   not even shown to be substantial investors in  
13                   Government bonds. They are susceptible in  
14                   borrowing money to the practices of those who  
15                   fail to declare their true interest rates and  
16                   charges and appear insensitive to rate changes.  
17                   The local credit unions, of which there are  
18                   approximately 3000 in Canada, are operated demo-  
19                   cratically by these members and are mainly con-  
20                   cerned with meeting the needs of these members  
21                   for socially desirable ends at the lowest  
22                   possible costs. As has been shown these credit  
23                   unions develop surplus funds both from the main-  
24                   tenance of necessary liquidity reserves and of  
25                   a seasonal nature. These, in the main, they do  
26                   not themselves invest, but deposit with pro-  
27                   vincial credit societies. Generally these  
28                   societies do have their own liquidity reserves  
29                   and seasonal surpluses to invest. To some ex-  
30                   tent they are involved in the capital market,





1 but usually in a limited way by the purchase of  
2 Government bonds and to some degree by loans  
3 to or investment in the securities of other  
4 co-operative institutions. The evidence shows  
5 these credit societies to be more sensitive to  
6 changes in interest rates because they operate  
7 on a narrow margin of income vis-a-vis expense.

8 68. However, these credit societies are  
9 wholly provincial institutions (except as to the  
10 four members of CCCS which are deemed to be in-  
11 corporated by Act of Parliament). They are in-  
12 fluenced to some extent by monetary policy as  
13 reflected in the capital market but mainly by the  
14 indirect influence of the chartered banks, upon  
15 whom they are mainly dependent for borrowing. If  
16 additional responsiveness is considered necessary  
17 it could be effected through regulation and con-  
18 trol through registration under the Co-operative  
19 Credit Associations Act.

20 69. It is submitted, however, that a strong  
21 CCCS in which the liquidity reserves as well as  
22 surplus funds of the provincial credit societies  
23 were deposited would be much simpler and more  
24 sensitive instruments through which to effect  
25 national financial and monetary policy. If  
26 CCCS developed as a depository of liquidity  
27 reserve and surpluses for the major provincial  
28 centrals it would have substantially all of  
29 these reserves and surpluses of the English  
30 speaking credit unions available for use in the



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... indirect influence of the chartered banks, upon  
... whom they are totally dependent for business. If  
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It is submitted, however, that a similar  
... CCGS in which the financial resources as well as  
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... sensitive to the needs of the  
... national financial and monetary policy. It  
... CCGS developed as a subsidiary  
...  
... it would have a broader  
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... speaking credit would be available for use in the





capital market. It too would have to operate on a very narrow margin of income vis-a-vis expense and could be expected to be sensitive to rate changes in the capital market as well as to monetary policy expressed to it either through the chartered banks or the Bank of Canada.

70. (e) CCCS agrees with the position of NACCU that there is no present need for federal regulation and control of provincially incorporated credit unions and co-operative credit societies. However, if it were deemed necessary in the national interest CCCS could become the instrument whereby the Federal Government could:

(1) receive more adequate current information as to savings, loans and investments of credit unions in so far as such is necessary in the

formulation of financial and monetary policy;

(2) convey to the credit unions national and monetary policies. (It is suggested these

could be conveyed on a voluntary moral suasion basis. However, if co-operation was not forthcoming, broad regulatory power rests in the Treasury Board under Section 19 (5) of the Co-operative Credit Associations Act which could be used to effect national policy.)

(3) exercise such degree of regulation, supervision and control as may be deemed necessary in the national interest. (It should be borne

in mind that the credit unions as established by the evidence, have shown a very high degree



capital market. It too would have to operate on a very narrow margin of income vis-a-vis expense and could be expected to be sensitive to rate changes in the capital market as well as to monetary policy expressed to it either through the chartered banks or the Bank of Canada.

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- (2) convey to the credit union national and monetary policies. (It is suggested these could be conveyed on a voluntary moral suasion basis. However, if co-operation was not forthcoming, broad regulatory power rests in the Treasury Board under Section 19 (2) of the Co-operative Credit Associations Act which could be used to effect national policy.)
- (3) exercise such degree of regulation, supervision and control as may be deemed necessary in the national interest. (It should be borne in mind that the credit unions are established by the evidence. have shown a very high degree



1 of voluntary association and co-operation and  
2 have knit themselves together with economic  
3 ties through leagues and co-operative credit  
4 societies which reasonably would assure co-  
5 operation with any necessary federal regula-  
6 tion, supervision or control. It would be a  
7 very expensive if not impossible task for the  
8 federal government to deal with approximately  
9 3000 separate units in the English speaking  
10 community extending across the whole nation.)  
11 (4) reasonably assure that necessary federal  
12 direction (or if necessary regulation and  
13 control) would not impede the proper develop-  
14 ment of credit unions as local autonomous  
15 provincial bodies of the modest income segment  
16 of the community which they serve.

17 71. The apparent limitations of CCCS ful-  
18 filling such a role are not serious if CCCS  
19 is permitted to develop in the manner indicated.

20 72. As indicated above the credit unions, the  
21 credit societies and CCCS are determined to  
22 bring this Society into immediate practical  
23 operation (a) by substantial investment in  
24 additional share capital, and (b) by seeking  
25 amendments to the limitations in legislation  
26 which have discouraged its development, (c)  
27 by actively pursuing the development of centrals  
28 in other provinces and encouraging them to be-  
29 come members of CCCS.

30 73. CCCS now represents the major credit



some members of CCCS.

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which have discouraged its development. (c)

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ties through leagues and co-operative credit





societies in the credit union movement in  
Canada (except the caisses populaires of  
Quebec) and may be expected to represent the  
English speaking credit societies in other  
provinces as they significantly develop.

74. This would mean that by a combination  
of legislative action and voluntary co-operation  
the Federal Government could establish a basis  
for informal supervision of essentially pro-  
vincial institutions and the foundation, were  
it subsequently required, for such proper con-  
trol and direction as in the future might prove  
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VII. CLEARING HOUSE ARRANGEMENTS

75. The clearing arrangements which the credit unions have with the chartered banks were arranged with the Canadian Bankers' Association to facilitate the clearing of bank cheques and Government orders received by the credit unions and of orders drawn against credit unions with "chequing" privileges and/or co-operative credit societies. The terms of the arrangements with the Canadian Bankers' Association for clearing are described in briefs or exhibits filed with the Commission by several provincial co-operative credit societies, and for convenience one copy is reproduced and annexed hereto as Schedule 6.

76. We would hope that the Commission would investigate the matter and have its researchers examine closely the operation of the present clearing facilities and that as a result the Commission might

(a) Express a view as to the equity of the present situation;

(b) Recommend machinery for the assurance of equality in the provision of those services;

(c) Consider the possibility of establishing local clearing houses in conjunction with the regional offices of the Bank of Canada if clearing could be more effectively and equitably carried on in that way; or

(d) Recommend that the Inspector General of Banks or some other impartial official should establish reasonable rates for charges for clearing from time to time based on the true



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unions have with the chartered banks were arranged  
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 operative credit societies, and for convenience one  
 copy is reproduced and annexed hereto as Schedule B.  
 We would hope that the Commission would

investigate the matter and have its researchers  
 examine closely the operation of the present clearing  
 facilities and that as a result the Commission might

(a) Express a view as to the equity of the

(b) Recommend machinery for the assurance of

equity in the provision of those services;

(c) Consider the possibility of establishing

local clearing houses in conjunction with the

regional offices of the Bank of Canada if clearing  
 could be more effectively and equitably carried

on in that way; or

(d) Recommend that the Inspector General of

Banks or some other impartial official should

establish reasonable rates for charges for

clearing from time to time based on the time





cost of performing those functions.

77. In the absence of any certain knowledge of comparable costs involved in the operation of clearing facilities we are unable to make any statements of fact regarding the appropriateness of existing charges or to make any specific recommendations.

78. We would, however, suggest that there are other possible arrangements which may merit consideration and particularly the possibility of our dealing directly with the clearing house or even of having regional central clearing in the aegis of the regional offices of the Bank of Canada. It is also possible that the office of the Inspector General of Banks or some other impartial official could establish from time to time reasonable rates for clearing based on the cost of performing this service.



IN THE MATTER OF THE BANK OF CANADA

77. In the absence of any certain knowledge

of comparable costs involved in the operation of

clearing facilities we are unable to make any

recommendations as to the advisability of

existing charges or to make any specific recommendations

thereon

78. We would, however, suggest that there are

other possible arrangements which may merit considera-

tion and particularly the possibility of our dealing

directly with the clearing house or even of having

regional central clearing in the case of the

regional offices of the Bank of Canada. It is also

possible that the office of the Inspector General

of Banks or some other impartial official could

establish from time to time reasonable rates for

clearing based on the cost of performing this

service



VIII. SUMMARY

79. CCCS therefore respectfully requests the  
Commission

(a) To recognize the potential role of CCCS  
as a unique instrument for the sound develop-  
ment of credit unions in Canada, and as an  
instrument by which credit unions (locals and  
centrals) become more responsive to national  
financial and monetary policies.

(b) To recommend the enactment of suitable  
amendments to the Co-operative Credit Associa-  
tions Act to permit the development of CCCS as  
a strong national credit union in line with the  
specific recommendations referred to above;

(c) To recommend an appropriate arrangement  
for the clearing of items among the chartered  
banks, the credit unions and other institutions  
issuing orders of a similar nature to cheques.



UNITED STATES DEPARTMENT OF THE TREASURY  
BUREAU OF THE CURRENCY

UNITED STATES DEPARTMENT OF THE TREASURY  
BUREAU OF THE CURRENCY

CCCS therefore respectfully requests the

(a) To recognize the potential role of CCCS as a unique instrument for the sound development of credit unions in Canada, and as an instrument by which credit unions (locals and centrals) become more responsive to national financial and monetary policies.

(b) To recommend the enactment of suitable amendments to the Co-operative Credit Associations Act to permit the development of CCCS as a strong national credit union in line with the specific recommendations referred to above;

(c) To recommend an appropriate arrangement for the clearing of items among the chartered banks, the credit unions and other institutions issuing orders of a similar nature to cheques



**SUMMARY OF INFORMATION AS TO CENTRAL TYPE CREDIT UNION ASSOCIATIONS**  
(Extracted from Individual Statements in Schedule 8)

**IN MILLIONS OF DOLLARS**

	LOANS TO MEMBERS			TOTAL LOANS TO MEMBERS	TOTAL OF DEPOSITS (less 20%) AND SHARES		B. C. CENTRAL	SASK. CO-OP	* ONT. LEAGUE	ONT. CO-OP	POOL IN EXCESS OF LOANS	LOANS IN EXCESS OF POOL	PERCENTAGE
	B. C. CENTRAL	SASK. CO-OP	ONT. LEAGUE										
June, 1956	3,532	9,148	2,685	16,336	15,786	3,545	8,746	2,393	1,102			.550	- 3.48
July	3,706	9,024	2,712	16,638	15,939	3,528	8,838	2,403	1,170			.699	- 4.39
August	3,618	8,946	2,730	16,446	16,031	3,569	8,832	2,394	1,236			.415	- 2.59
September	3,596	6,548	2,882	14,250	16,381	3,845	8,703	2,487	1,346	2,131			+ 13.01
October	3,482	6,077	2,711	13,342	16,433	4,005	8,426	2,639	1,363	3,091			+ 18.81
November	3,202	5,832	2,692	12,961	16,817	4,293	8,432	2,641	1,451	3,856			+ 22.93
December	3,529	4,684	2,514	11,982	17,671	4,737	8,893	2,600	1,441	5,689			+ 32.19
Jan. 1957	3,262	6,039	2,327	12,812	17,059	4,369	8,290	2,788	1,612	4,247			+ 24.90
February	3,203	6,738	2,267	13,248	17,650	4,441	8,575	2,967	1,667	4,402			+ 24.94
March	3,583	6,873	2,568	14,072	17,929	4,394	8,890	2,978	1,667	3,857			+ 21.51
April	4,029	8,151	2,853	16,142	17,358	4,232	8,565	2,968	1,593	1,216			+ 7.01
May	4,690	7,876	3,219	17,220	16,221	3,724	8,056	2,817	1,624		.999		- 6.16
June	5,411	9,515	3,256	19,873	17,999	4,451	9,131	2,750	1,667		1,874		- 10.41
July	5,526	8,845	3,291	19,381	17,496	4,243	8,932	2,723	1,598		1,885		- 10.77
August	5,697	8,753	3,398	19,548	17,487	4,135	8,970	2,752	1,630		2,061		- 11.79
September	5,977	7,620	3,427	18,733	18,196	4,603	8,946	2,794	1,853		.537		- 2.95
October	5,924	7,353	3,249	18,116	17,777	4,470	8,727	2,834	1,746		.339		- 1.91
November	5,503	7,774	3,212	18,172	19,171	4,887	9,419	2,931	1,934	.999			+ 5.21
December	5,977	9,146	2,965	19,779	21,120	5,366	10,795	2,924	2,035	1,341			- 6.35
Jan. 1958	5,478	10,148	2,810	20,036	21,730	5,128	10,951	3,243	2,408	1,694			+ 7.80
February	5,211	9,434	2,763	18,953	21,344	5,073	10,321	3,423	2,527	2,391			+ 11.20
March	5,171	8,625	3,008	18,460	23,426	5,254	11,662	3,814	2,696	4,966			+ 21.12
April	5,302	11,222	3,485	21,781	22,763	5,347	10,950	3,904	2,562		.654		+ 4.31
May	5,774	11,447	3,917	22,920	22,266	5,267	10,499	3,927	2,573	.982			- 2.94
June	6,215	13,434	4,294	26,011	23,311	5,594	11,256	3,917	2,544		2,700		- 11.58
July	6,325	13,931	4,512	26,992	24,579	5,448	12,657	3,980	2,494		2,413		- 9.82
August	6,547	14,529	4,389	27,755	25,342	5,638	13,190	3,914	2,600		2,413		- 9.52
September	6,470	14,603	4,338	27,474	26,036	6,077	13,143	4,048	2,768		1,438		- 5.52
October	5,921	14,555	4,387	27,058	26,376	6,048	13,100	4,168	3,060		.682		- 2.59
November	5,300	13,596	4,488	25,624	28,843	6,178	15,024	4,265	3,376	3,219			+ 11.16
December	5,381	16,923	4,413	28,961	30,357	6,750	15,892	4,313	3,402	1,396			+ 4.60



## IN MILLIONS OF DOLLARS

	LOANS TO MEMBERS				TOTAL DEPOSITS (less 20%) AND SHARES	B. C. CENTRAL	SASK. CO-OP	* ONT. LEAGUE	ONT. CO-OP	POOL IN EXCESS OF LOANS	LOANS IN EXCESS OF POOL	PERCENTAGE
	LOANS TO MEMBERS			TOTAL LOANS TO MEMBERS								
	B. C. CENTRAL	SASK. CO-OP	ONT. LEAGUE									
Jan. 1959	5.198	15.991	4.164	27.418	29.860	6.177	15.566	4.567	3.550	2.442		+ 8.18
February	5.086	15.943	3.746	26.889	30.138	6.166	15.447	4.894	3.631	3.249		+ 10.78
March	5.490	14.422	3.800	25.705	31.243	6.689	15.808	5.091	3.655	5.538		+ 17.73
April	5.964	14.797	4.362	27.616	29.802	6.244	14.649	5.126	3.783	2.186		+ 7.34
May	6.309	11.055	5.125	25.348	28.912	6.101	14.328	4.897	3.586	3.564		+ 12.33
June	7.037	12.314	5.724	28.508	30.581	6.374	16.138	4.719	3.350	2.073		+ 6.78
July	7.818	11.647	5.747	29.058	30.042	5.859	16.174	4.727	3.282	.984		+ 3.28
August	8.296	9.922	5.651	27.794	30.326	5.949	16.345	4.665	3.367	2.532		+ 8.35
September	8.534	8.325	5.889	26.751	29.943	6.314	15.492	4.724	3.413	3.192		+ 10.66
October	8.198	9.793	5.853	27.882	28.987	6.316	14.451	4.701	3.519	1.105		+ 3.81
November	7.792	12.120	5.835	29.656	31.091	6.621	16.168	4.811	3.491	1.435		+ 4.62
December	7.989	10.606	5.645	28.009	31.873	7.393	16.018	4.643	3.819	3.864		+ 12.12
Jan. 1960	8.030	10.994	5.604	28.448	30.981	7.082	15.250	4.823	3.826	2.533		+ 8.18
February	7.862	10.689	5.548	27.755	30.767	6.930	14.674	4.943	4.220	3.012		+ 9.79
March	8.106	13.425	5.701	30.636	32.511	7.083	15.983	5.152	4.293	1.875		+ 5.77
April	7.999	13.507	6.296	31.476	31.249	6.945	14.956	5.099	4.249		.227	- .71
May	8.323	13.909	6.266	32.492	31.281	7.230	14.813	5.000	4.238		1.211	- 3.87
June	8.675	14.689	6.214	33.675	32.059	7.418	15.712	4.904	4.025		1.616	- 5.04
July	9.124	16.008	6.135	35.462	32.835	7.062	17.023	4.923	3.827		2.627	- 8.00
August	8.952	15.507	6.148	34.883	33.099	7.349	17.010	4.912	3.828		1.784	- 5.39
September	9.279	15.311	6.352	35.642	34.458	7.549	18.130	4.951	3.828		1.184	- 3.44
October	8.382	13.295	6.423	32.970	35.686	7.970	18.066	5.167	4.483	2.716		+ 7.61
November	7.962	15.997	6.122	34.991	36.560	8.004	17.976	5.457	5.123	1.569		+ 4.29
December	7.965	14.381	5.744	33.187	38.378	8.853	18.554	5.789	5.182	5.191		+ 15.64

\* Ontario Credit Union League is not registered under the Co-operative Credit Associations Act and accordingly is not required to comply with the liquidity reserve provisions thereof. In order to obtain uniformity 20% of the deposits have been deducted from the total of its shares and deposits for the purpose of this summary.







Deposit and Loan Activity - From Commencement of Business (January 1st, 1955) to December 31st, 1961

A.45

05-00-00 20,000.00 20,000.00 20,000.00  
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CANADIAN CO-OPERATIVE CREDIT SOCIETY - continued

DEPOSITS

1958

<u>Ontario Co-op Credit Society</u>	<u>Deposits</u>	<u>Withdrawals</u>
Jan. 1/58 - Balance Forward		
January	50,000.00	
February	100,000.00	
April	50,000.00	
July		50,000.00
August		200,000.00
<u>Sask. Co-op Credit Society</u>		
Jan. 1/58 - Balance Forward		
April		16,000.00
May		30,000.00
July	50,000.00	
August		50,000.00
November		170,000.00

1959

<u>Ontario Co-op Credit Society</u>	
April	200,000.00
June	
November	2,304.15

Sask. Co-op Credit Society

May	300,000.00
June	200,000.00
September	290,000.00
November	490,000.00
December	

LOANS

1958

<u>B. C. Central Credit Union</u>	<u>Loan</u>	<u>Repayment</u>	<u>Balance</u>
Jan. 1/58 - Balance Forward			250,000.00
January	50,000.00		300,000.00
February	50,000.00		350,000.00
August		185,000.00	165,000.00
November		165,000.00	-
<u>Interprovincial Co-operatives Ltd.</u>			
February	50,000.00		50,000.00
August		50,000.00	-

1959

<u>B. C. Central Credit Union</u>			
April	200,000.00		200,000.00
May	300,000.00		500,000.00
August		50,000.00	450,000.00
November		450,000.00	-
December	428,000.00		428,000.00

Co-op Credit Society of Man.

August	50,000.00		50,000.00
November		50,000.00	-
<u>Ontario Co-op Credit Society</u>			
September	250,000.00		250,000.00
November		250,000.00	-
December	60,000.00		60,000.00

THE UNIVERSITY OF CHICAGO



DEPOSITS1960Sask. Co-op Credit SocietyJan. 1/60 - Balance Forward

January

March

April

May

August

September

November

December

Deposits

60,000.00

440,000.00

100,000.00

100,000.00

100,000.00

475,000.00

35,000.00

60,000.00

Withdrawals

500,000.00

440,000.00

-

100,000.00

100,000.00

100,000.00

575,000.00

510,000.00

450,000.00

-

Ontario Co-op Credit SocietyJan. 1/60 - Balance Forward

January

February

March

April

May

August

September

December

Deposits

14,584.11

200,000.00

350,000.00

5,015.89

30,000.00

Balance

2,304.15

16,888.26

216,888.26

566,888.26

366,888.26

121,904.15

-

30,000.00

-

Co-op Fire & CasualtyApril

May

July

October

November

December

Balance

100,000.00

300,000.00

360,000.00

260,000.00

100,000.00

-

LOANS1960B. C. Central Credit UnionJan. 1/60 - Balance Forward

February

March

May

August

October

November

December

Loan

200,000.00

150,000.00

100,000.00

275,000.00

Repayment

228,000.00

150,000.00

100,000.00

100,000.00

200,000.00

475,000.00

Balance

428,000.00

628,000.00

550,000.00

500,000.00

775,000.00

675,000.00

475,000.00

-

Co-op Credit Society of Man.July

December

Loan

60,000.00

Repayment

60,000.00

Balance

60,000.00

-

Ontario Co-op Credit SocietyJan. 1/60 - Balance Forward

January

August

September

Loan

70,000.00

Repayment

60,000.00

70,000.00

Balance

60,000.00

-

70,000.00



## CANADIAN CO-OPERATIVE CREDIT SOCIETY - continued

DEPOSITS1961Co-op Fire & Casualty

	<u>Deposits</u>	<u>Withdrawals</u>	<u>Balance</u>
July	61,000.00		61,000.00
August		61,000.00	-

Sask. Co-op Credit Society

August	45,000.00		45,000.00
September	367,000.00		412,000.00
December		100,000.00	312,000.00

Ontario Co-op Credit Society

July	500,000.00		500,000.00
December		500,000.00	-

Interprovincial Co-operatives Ltd.

August	100,000.00		100,000.00
November		50,000.00	50,000.00
December		45,000.00	5,000.00

LOANS1961B. C. Central Credit Union

	<u>Loan</u>	<u>Repayment</u>	<u>Balance</u>
July	500,000.00		500,000.00
September	300,000.00		800,000.00
December		500,000.00	300,000.00

Co-op Credit Society of Man.

July	65,000.00		65,000.00
August	55,000.00		120,000.00
November		50,000.00	70,000.00
December		70,000.00	-

Balance - YITICOR CREDIT SOCIETY

<u>YITICOR CREDIT SOCIETY</u>		<u>YITICOR CREDIT SOCIETY</u>	
<u>Assets</u>		<u>Liabilities</u>	
Cash	100,000.00	Capital	100,000.00
Accounts Receivable	20,000.00	Reserves	20,000.00
Notes Receivable	50,000.00	Loans	50,000.00
Real Estate	10,000.00	Other	10,000.00
Investments	10,000.00		
Other	10,000.00		
<u>Total</u>	<u>200,000.00</u>	<u>Total</u>	<u>200,000.00</u>
<u>YITICOR CREDIT SOCIETY</u>		<u>YITICOR CREDIT SOCIETY</u>	
Cash	100,000.00	Capital	100,000.00
Accounts Receivable	20,000.00	Reserves	20,000.00
Notes Receivable	50,000.00	Loans	50,000.00
Real Estate	10,000.00	Other	10,000.00
Investments	10,000.00		
Other	10,000.00		
<u>Total</u>	<u>200,000.00</u>	<u>Total</u>	<u>200,000.00</u>





CLEARING PRIVILEGES

CREDIT UNIONS (INCLUDING CAISSES POPULAIRES

OUTSIDE THE PROVINCE OF QUEBEC)

CENTRALIZED CLEARING PLAN

1. Arrangements may be made between a member union and the Central for the clearing of orders and cheques through the Central in accordance with this Schedule (herein called "the centralized clearing plan").

2. This schedule applies to credit unions, including central credit unions, in any province and to caisses populaires outside the Province of Quebec, that permit the issuance of orders on them by their members and are in a centralized clearing plan. If a credit union has not joined a centralized clearing plan Schedule "A" applies.

3. (a) In this Schedule, the term "credit union" means any organization referred to in 2 above, "Central" means a central credit union, "member union" means a credit union affiliated with the Central, "branch" means within the local clearing area, and "outside points" means places outside the local clearing area.

(b) "Order" means an order drawn on a credit union. Orders are not cheques as defined in the Bills of Exchange Act.

(c) "Clearing privilege" means the privilege of having orders drawn on a credit union by its members and cheques negotiated by a credit union



THE BANK ACT

THE BANK ACT (AMENDMENT) ACT, 1952

SECTION 2. DEFINITIONS.

1. ARRANGEMENTS MAY BE MADE BETWEEN A MEMBER

union and the Central for the clearing of orders and cheques through the Central in accordance with this

2. This schedule applies to credit unions, including central credit unions, in any province, to causes populations outside the Province of Quebec, that permit the issuance of orders on them by their numbers and are in a centralized clearing plan. If a credit union has not joined a centralized clearing plan Schedule "A" applies.

3. (a) In this Schedule, the term "credit union" means any organization referred to in 2 above, "Central" means a central credit union, "member union" means a credit union affiliated with the Central, "branch" means within the local clearing area, and "outside points" means places outside the local clearing area.

(b) "Order" means an order drawn on a credit union. Orders are not cheques as defined in the Bills of Exchange Act.

(c) "Clearing privilege" means the privilege of having orders drawn on a credit union by its members and cheques negotiated by a credit union



for its members cleared through the clearing facilities provided by the banks.

#### Orders on Credit Unions

4. A clearing privilege for orders shall not be granted without the approval of the General Manager of each bank concerned and may be granted only on the terms and conditions stipulated in this Schedule.

5. (a) Orders drawn on credit unions shall bear the following marking at the right end of the order in the space ~~above~~ the amount:

(Name of  
city)

indicating the clearing point at which settlement will be made for orders negotiated by the banks, but orders shall not bear the name of a bank. Settlement for orders will be made by one Central at the Bank of Canada settlement point indicated below (herein called "the clearing point"):

<u>Orders on Credit Unions in</u>	<u>Clearing Point</u>
British Columbia .....	Vancouver
Alberta .....	Calgary
Saskatchewan .....	Regina
Manitoba .....	Winnipeg
Ontario .....	Toronto
New Brunswick .....	Saint John
Nova Scotia .....	Halifax

6. The Central will conduct with the main branch of each bank at the clearing point a current account to which the orders will be charged. Orders negotiated



for its members cleared through the clearing  
facilities provided by the banks.

ORDERS ON CREDIT UNIONS

4. A clearing privilege for orders shall not

be granted without the approval of the General

Manager of each bank concerned and may be granted only

on the terms and conditions stipulated in this Schedule

5. (a) Orders drawn on credit unions shall bear

the following marking at the right end of the

ORDER IN THE NAME OF THE BANK



indicating the clearing point at which settlement will

be made for orders negotiated by the banks, but orders

shall not bear the name of a bank. Settlement for

orders will be made by one Central at the Bank of

Canada settlement point indicated below (herein

called "the clearing point"):

<u>ORDERS ON CREDIT UNIONS IN</u>		<u>Clearing Point</u>
British Columbia .....	Vancouver	
Alberta .....	Calgary	
Saskatchewan .....	Regina	
Manitoba .....	Winnipeg	
Ontario .....	Toronto	
New Brunswick .....	Saint John	

The Central will conduct with the main branch

of each bank at the clearing point a current account

to which the orders will be charged. Orders negotiated





by banks will be sent to the clearing point.

Exception -- At points other than clearing points, orders negotiated locally drawn on a local credit union will be cleared through the local bank with which it conducts an account or with which the Central conducts an account, to which the orders will be charged.

7. The credit union will pay a clearing fee of 5 cents for each order charged to its account with a bank. The clearing fee will be collected by the bank charging the orders to the account.

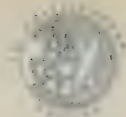
8. Banks will not grant a par crossing privilege for orders or recognize the par crossings on orders crossed negotiable without charge at the office of a credit union.

9. The credit union will have orders on it printed at its expense on its own paper (not the bank's safety paper).

#### Dishonoured Orders

10. (a) On each banking day the Central or member union will take delivery at the bank of orders charged to its account. The Central will forward the orders without delay to the member unions on which they are drawn. The latter will return to the central on day of receipt any orders which are unpaid. The Central will return the unpaid orders to the clearing bank not later than 12 noon of the business day following the day of receipt of the unpaid orders by it.

(b) Orders on a member union cleared to it will



by banks will be sent to the clearing point.

Exception -- At points other than clearing points

orders negotiated locally drawn on a local credit union will be cleared through the local bank with which it conducts an account or with which the Central conducts an account, to which the orders will be charged.

7. The credit union will pay a clearing fee of 5 cents for each order charged to its account with a bank. The clearing fee will be collected by the bank charging the orders to the account.

8. Banks will not grant a pay crossing privilege for orders or recognize the pay crossings on orders crossed negotiable without charge at the office of a credit union.

9. The credit union will have orders on it printed at its expense on its own paper (not the bank's safety paper).

Discontinued Orders

10. (a) On each banking day the Central or member union will take delivery at the bank of orders charged to its account. The Central will forward the orders without delay to the member unions on which they are drawn. The latter will return to the central on day of receipt any orders which are unpaid. The Central will return the unpaid orders to the clearing bank not later than 12 noon of the business day following the day of receipt of the unpaid orders by it.

(b) Orders on a member union cleared to it will



be considered as paid unless returned to the bank by 2:30 p.m. on day of receipt by the member union.

11. (a) The Central or member union will pay the bank a charge of 25 cents with respect to each order which is returned "N.S.F."

(b) Each "N.S.F." order shall be stamped as follows by the branch to which it is returned by the Central or member union:

Pursuant to clearing rules this item may not be cleared again unless certified.

Cheques and Other Item Clearable through Banks

12. Cheques on banks, government cheques, government and other bonds and coupons and other items clearable through a bank which are negotiated by member unions will not be deposited in local branches. Such items will be sent to the Central and deposited in the main branches of the banks. Wherever possible, the Central will deposit in the main branch of each bank all cheques on branches of that bank.

Exception -- At points other than clearing points, cheques negotiated locally drawn on accounts at local banks and grain or creamery tickets may be deposited in the local branch with which the credit union or Central conducts an account.

13. For the clearing of cheques and other items deposited by the Central the following rates shall apply:





11. (a) The Central or member union will pay the bank a charge of 25 cents with respect to each order which is returned "N.S.F."

(b) Each "N.S.F." order shall be stamped as follows by the branch to which it is returned by the Central or member union:

Pursuant to clearing rules this item may

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Exception -- At points other than clearing points,

cheques negotiated locally drawn on accounts

at local banks and grain or currency tickets

may be deposited in the local branch with

which the credit union or Central conducts

an account.

13. For the clearing of cheques and other

items deposited by the Central the following rules

shall apply:





(a) Cheques issued by the Government of Canada  
or the province in which the branch is  
located .....No Charge.

(b) Cheques drawn on accounts at the branch  
where they are deposited ....No Charge.

(c) Grain and creamery tickets ..No Charge.

(d) Local clearing items (cheques drawn on  
or payable at other local branches or  
banks, including cheques on outside  
points crossed negotiable without  
charge locally )..... $2\frac{1}{2}\phi$  each  
after allowing 4 free items  
for each \$50 of minimum monthly  
credit balance in the current  
account.

(e) Cheques on outside points:

Up to \$5,000 each ..... $5\phi$  each plus  
 $1/10\%$  on daily total.

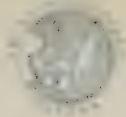
Over \$5,000 each ..... $1/16\%$ , min.  
\$5 on each item.

(f) Coupons .....Regular  
rates, viz:

Up to \$2,000 ..... $\frac{1}{4}\%$ , min.  
\$.25 - for coupons of each  
issuer or debtor.

Over \$2,000 ..... $1/8\%$ , min.  
\$5.00 - for coupons of each  
issuer or debtor.

(g) Bonds ..... Regular Rates.



(a) Cheques drawn on accounts at the branch where they are deposited ... No Charge.  
 (b) Cheques drawn on accounts at the branch where they are deposited ... No Charge.  
 (c) Cheques drawn on accounts at the branch where they are deposited ... No Charge.

(d) Local clearing items (cheques drawn on or payable at other local branches or banks, including cheques on outside points crossed negotiable without charge locally) ... \$2.50 each after allowing 4 free items for each \$50.00 of minimum monthly credit balance in the current account.

(e) Cheques on outside points: Up to \$5,000 each ... \$2.50 each plus 1/10% on daily total.

(f) Cheques on outside points: Up to \$2,000 each ... \$2.50 - for coupons of each issuer or debtor.

(g) Bonds ... \$5.00 - for coupons of each issuer or debtor.

(h) Bonds ... Regular Rates



14. (a) Cheques and other items shall be sorted and listed by the Central in the manner most convenient to the bank for purposes of clearing.
- (b) Government of Canada cheques shall be endorsed by the Central with a suitable rubber stamp showing the date and the endorsement of both the Central and the clearing bank. Government of Canada coupons shall be cancelled and redeemed Canada Savings Bonds endorsed as required by the Bank of Canada.
- (c) The Central shall prepare Government of Canada cheques, coupons and bonds for clearing as required by the Bank of Canada in the same manner as required of bank branches, i.e., card cheques, coupons and redeemed Canada Savings Bonds shall be sorted, listed and enclosed in the appropriate envelopes. The envelopes shall be sealed and shall show on the outside the name of the Central and the total amount of the items enclosed. The Central shall undertake to make good any errors reported by the Bank of Canada and shall pay the clearing bank a fee of \$1.00 for each error to cover the cost of adjusting. It shall also undertake to reimburse the clearing bank for any items lost in transit between the Bank of Canada local agency and the Bank of Canada, Ottawa, for which the clearing bank is required to reimburse the Bank of Canada.



and listed by the Central in the manner most convenient to the bank for purposes of clearing.

(b) Government of Canada cheques shall be endorsed by the Central with a suitable rubber stamp showing the date and the endorsement of both the Central and the clearing bank. Government of Canada coupons shall be cancelled and redeemed Canada Savings Bonds endorsed as required by the Bank of Canada.

(c) The Central shall prepare Government of Canada cheques, coupons and bonds for clearing as required by the Bank of Canada in the same manner as required of bank branches, i.e., cash cheques, coupons and redeemed Canada Savings Bonds shall be sorted, listed and enclosed in the appropriate envelopes. The envelopes shall be sealed and shall show on the outside the name of the Central and the total amount of the items enclosed. The Central shall undertake to make good any errors reported by the Bank of Canada and shall pay the clearing bank a fee of \$1.00 for each error to cover the cost of adjusting. It shall also undertake to reimburse the clearing bank for any items lost in transit between the Bank of Canada, local agency and the Bank of Canada, Ottawa, for which the clearing bank is required to reimburse the Bank of Canada.





Accounts of Centrals - Service Charges

15. No service charges will be applied to current accounts of a Central at main branches at a clearing point.

Accounts of Member Unions - Service Charges

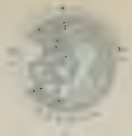
16. For the clearing of the following items deposited by a member union the following rates shall apply:

- (a) Cheques drawn on accounts at the branch where they are deposited .....No charge.
- (b) Grain and creamery tickets .....No Charge.
- (c) Coupons and bonds of a local issuer or debtor, payable at the branch where they are deposited .....No Charge.
- (d) Local clearing items (cheques drawn on accounts at other local branches or banks .....2½¢ each as calculated in 17 below.

17. Current accounts of member unions shall in every case be subject to service charges of 10¢ per entry (debit or credit) after allowing one free entry for each \$50 of minimum monthly balance. A record of the number of the following items will be kept by the bank:

Orders charged to the account (whether posted separately or listed and charged in a total )

Local clearing items deposited (see 16 (d) above) and each four of these items will be counted as one entry for purposes of applying service charges.



Account of Member Union - Service Charges

No service charges will be applied to current accounts of a Central or Main branches at a

Account of Member Union - Service Charges

16. For the clearing of the following items

deposited by a member union the following rates

shall apply:

(a) Cheques drawn on accounts at the branch

where they are deposited ..... No charge.

(b) Grain and creamery tickets ..... No charge.

(c) Coupons and bonds of a local issued or

debtor, payable at the branch where

they are deposited ..... No charge.

(d) Local clearing items (cheques drawn on

accounts at other local branches or

banks .....  $2\frac{1}{2}\%$  each as

calculated in

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record of the number of the following items will

be kept by the bank:

Orders charged to the account (whether

posted separately or listed and charged

as a total)

(b) Local clearing items deposited (see 16 (d))

above) and each four of these items will be counted

as one entry for purposes of applying service charges.



(The effect of the foregoing is a charge of 10¢ per entry, 2½¢ per order and 2½¢ for each local clearing item, after allowing one free entry or four free orders or four free local clearing items for each \$50 of minimum monthly balance).

18. Where a member union makes deposits in an account in the name of the Central, the account will be subject to the rates in 16 and 17 above.

Supplying of Cash

SUPPLYING OF CASH - AMENDMENT TO SECTION 19 SCHEDULE B

19. (a) Money parcels will not be prepared and despatched to a credit union on instructions of a Central. Currency and coin will only be supplied to credit unions at the branches where their accounts are carried and against cheques on their accounts.

The following charges will apply:

Currency - 25¢ per \$1,000)

plus cost of transportation

Coin - 50¢ per 100) and insurance

Exceptions -

(1) There will be no charge for supplying currency or coin up to a total of \$5,000 currency and \$500 coin in any one month.

(2) There will be no transportation and insurance charge on currency or coin supplied which otherwise would have to be shipped to an outside point as surplus to branch requirements.

(3) At Bank of Canada agency points, the main office of the bank will not make a charge for supplying currency or coin but wherever possible





(The effect of the foregoing is a charge of 10¢ per entry, 2½¢ per order and 2½¢ for each local clearing item, after allowing one free entry or four free orders or four free local clearing items for each \$50 of minimum monthly balance).

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- (2) There will be no transportation and insurance charge on currency or coin supplied which otherwise would have to be shipped to an outside point as surplus to branch requirements.
- (3) At Bank of Canada agency points, the main office of the bank will not make a charge for supplying currency of coin but whenever possible





the Central will arrange for a money transport company to take delivery at the Bank of Canada agency upon the order of the bank and will furnish the bank with suitable indemnification against errors.

Transfer of Funds

20 (a) Subject to (b) and (c) below, transfers of funds between accounts of credit unions will be effected by means of mail or telegraphic transfer or by deposit of a cheque or transfer form drawn on a bank (not by deposit of an order or transfer form drawn on a Central or member union).

(b) Transfers of funds between accounts with banks at the same point will be effected by deposit of a cheque or transfer form certified by the drawee bank.

(c) Transfers of funds from the account of one Central to the account of another Central will be effected by means of mail or telegraphic transfer.

(d) Mail or telegraphic transfers will be subject to the following rates:

\$ 5,000 and under	.....1/10%, min.	\$ .50 each	
Over \$ 5,000 to \$10,000	.....1/16%, min.	\$ 5.00	" plus co
" \$ 10,000 to \$25,000	.....1/32%, min.	\$ 6.25	" of mess
" \$ 25,000 to \$100,000	.....1/64%, min.	\$ 7.85	" for tel
" \$100,000 to \$500,000	.....1/100%, min.	\$15.65	" graphic
" \$500,000	.....1/200%, min.	\$50.00	" transfe



The Central will arrange for a money transfer company to take delivery at the Bank of Canada agency upon the order of the bank and will furnish the bank with suitable indemnification.

### Transfer of Funds

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(b) Transfers of funds between accounts with banks at the same point will be effected by deposit of a cheque or transfer form certified by the drawee bank.

(c) Transfers of funds from the account of one Central to the account of another Central will be effected by means of mail or telegraphic

(d) Mail or telegraphic transfers will be

subject to the following rates:

\$500,000	min. \$20.00	
\$100,000 to \$500,000	min. \$15.00	"
\$25,000 to \$100,000	min. \$10.00	"
\$10,000 to \$25,000	min. \$6.25	"
\$5,000 to \$10,000	min. \$5.00	"
Over \$5,000	min. \$5.00	"
\$5,000 and under	min. \$5.00 each	



(e) Transfers of funds by deposit of a cheque  
or transfer form drawn on a bank (whether  
crossed negotiable without charge or not) will  
be subject to the rates for cheques deposited.

Exceptions

21. Far Northern Points -- The special rates  
on transactions with far northern branches shall  
apply in all cases.



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Section 10  
Article 10

(a) The Board of Directors of the Bank of America  
shall have the authority to make and alter the  
by-laws of the Bank of America and to make and alter  
the regulations for the management of the Bank of America.

Section 10

Far Northern Points -- The special rates  
on transactions with far northern branches shall  
apply in all cases.

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